United States Court of Appeals

for the Second Circuit

APPELLANT'S APPENDIX

ORIGINAL

74-1214

B P/S

In The

United States Court of Appeals

For The Second Circuit

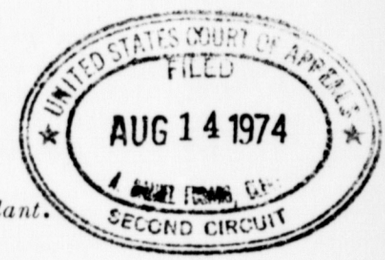
UNITED STATES OF AMERICA,

Appellee,

vs.

ANCORP NATIONAL SERVICES, INC.,

Appellant.



On Appeal from Judgment of the United States District Court for the Southern District of New York

APPELLANT'S APPENDIX

Volume IV, pp. 801a - end

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(7453) LUTZ APPELLATE PRINTERS, INC.
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GOVERNMENT'S EXHIBIT 41 - LETTER FROM UNION NEWS TO THE 801a

NEWS STREET

1864 1964 THE UNION NEWS COMPANY

NEW YORK 13, N.Y.

Office of the Vice-President

ALgonquin 5-5100

August 4, 1964

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
JUL 11 1973

Mr. Dudley Feldman
Circulation Manager
The News
220 East 42nd Street
New York, N. Y. 10017

Dear Dudley:

This will acknowledge receipt of your letter of July 28th.

As soon as your Sales Development Manager, Mr. Sid Kornish calls us, we will set up a meeting with Mr. Leder so that we may start the tests of the vending machines.

In reference to the advertising placards, if you will arrange to send them to my attention, we will see to it that they are put into use immediately.

In the meantime, would you please advise your Accounting Department to render payment of our invoices which we discussed over the phone?

Sincerely,

Bill

W. A. McCollough
Vice President

WAMcC:J

FEDERAL TRADE COMMISSION
701 0014
File No. 2326 COMMISSION INVESTIGATIONAL Exhibit No. 41
In the Matter of: Union News Co.
Date 9/24/69 Witness Leonard Reporter PF

CIX-41
9/24/69

U. S. DIST. COURT
S. D. OF N. Y.
JUL 10 1973

September 22, 1964

Mr. R. J. Rohrbach
Controller

Dear Bob:

We have reached an agreement with the Union News Company which provides for the Union News to furnish certain promotion and other similar type services to The News.

In the earlier stages of these negotiations, it was agreed that when the specific details were worked out concerning how these services were to be performed, The News would pay the Union News Company $500 a week retroactive to June 1, 1964.

Would you, therefore, make arrangements to have these payments made to the Union News Company in accordance with this agreement. Thank you.

Very truly yours,

W. A. Carey

cc: Mr. D. Feldman (in duplicate)

FEDERAL TRADE COMMISSION
File No. 70/0014 COMMISSION INVESTIGATIONAL Exhibit No. 44
In the Matter of: Grolier Inc. et al
Date 9/27/72 Witness Undesignated Reporter PF

CIX-44

CIX - 45

GOVERNMENT'S EXHIBIT 45 - MEMO FROM CAREY TO PALMER WITH ATTACHED REQUISITION 803a

EXHIBIT
S. DIST. COURT
S. D. OF N. Y.
JUN 10 1973

September 30, 1964 Sales Dir Union News.

Mr. V. E. Palmer
Assistant to the General Manager

Dear Val:

Please approve the attached requisition (#25568, dated September 28, 1964) for sign holders.

These sign holders are to be installed at all the Union News stands. We will have special promotional placards printed for these sign holders.

This is in accordance with a recent agreement reached with the Union News Company. Tex James and Bob Rohrbach are aware of this.

Please forward this requisition to the Purchasing Department. Thank you very much.

Very truly yours,

W. A. Carey

Encs:

FEDERAL TRADE COMMISSION
File No. 7396 COMMISSION INVESTIGATIONAL Exhibit No. 45
In the Matter of: American News
Date 9/24/69 Witness Hubbard Reporter SF

CIX - 45
9/24/69

804a

THE NEWS
NEW YORK'S PICTURE NEWSPAPER

Requisition for Supplies and/or Services

Requisition No. 25568

Date Sept. 28, 1964

Purchase Order No.
TO BE APPLIED BY PURCHASING DEPARTMENT

Materials required will be supplied only on official requisition approved by department head. Give full description and if necessary send sketch or sample.

IS THIS A MAJOR NON-RECURRING CAPITAL EXPENDITURE? ---------- YES ☐ NO ☒

IS IT INCLUDED IN THE CAPITAL EXPENDITURE FORECAST FOR THIS YEAR? YES ☐ NO ☒

DESCRIPTION

Sign Holders AS described on attached price Quotation Memo- Baked Turquoise ~~Green~~ Finish-

To be lettered- ~~For~~ "THE NEWS" Legs on Top- "Nice The Circulation of ANY Paper IN AMERICA" ON Face of Sign- We will supply Art Work-

1000 Sign holders @ $1.18 each- $1180.00

DO NOT WRITE BEYOND THIS LINE.

Vendor Crown Wire Mfg. Co.

City Philadelphia State N.J.

WHERE AND FOR WHAT PURPOSE TO BE USED

For UNION NEWS STATIONS and other prime locations-

DEPT. MGR. APPROVAL	PURCHASING DEPT. APPROVAL	APPROVED
Sid Kornick		

CIX-

GOVERNMENT'S EXHIBIT 46 - LETTER FROM THE NEWS TO UNION NEWS CO.

805a

WC
For Your Info
And File
F
SK

THE NEWS
NEW YORK'S PICTURE NEWSPAPER
220 EAST FORTY SECOND STREET
NEW YORK, N.Y. 10017
MURRAY HILL 2-1234

SIDNEY KORNISH
SALES DEVELOPMENT MANAGER
CIRCULATION

January 4, 1965

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
JUL 10 1973

Mr. W.A. McCollough
The Union[illegible]s Company
131 Varic[illegible]treet
New York, [illegible].Y.

Dear Mr. McCollough:

Thank you for the list submitted recently indicating the stand locations where our placard holders and signs will be displayed.

The holders were shipped last week to seven of your divisional warehouses and our field representatives have been advised to make routine inspections of the locations.

Your cooperation in selecting top display positions will be appreciated.

With kindest regards and best wishes for the New Year, I am

Sincerely yours,

Sid Kornish

SK:cm

FEDERAL TRADE COMMISSION
File No. 7[illegible] COMMISSION INVESTIGATIONAL Exhibit No. 46
In the Matter of: [illegible]
Date 9/24/69 Witness [illegible] Reporter PF

CIX - 46
9/24/69

GOVERNMENT'S EXHIBIT 50 - INVOICE FROM UNION NEWS CO. TO DAILY NEWS

806a

NEWS STANDS CIGAR SHOPS BOOK SHOPS SODA FOUNTAINETTES

The Union News Company
Division of The American News Company, Inc.

RAILROAD AND TRANSPORTATION CONCESSIONS RESTAURANTS

131 VARICK STREET, NEW YORK 13, N. Y.

FILED
DEC 29 1967
ACCOUNTS

SOLD TO

Daily News
220 East 42nd St.
New York, N.Y.

12/22/67

Att.: Mr. Robert Rohrbach,
Accounting Dept.

JUL 10 1973

WHEN REMITTING PLEASE QUOTE INVOICE NO.

YOUR ORDER NO.

Advertising Service

Week ending 12/31/67 $500.00

Please return duplicate invoice with your remittance to
W.A. McCollough, Vice President

FEDERAL TRADE COMMISSION
701 0014
No. 7346 COMMISSION INVESTIGATIONAL Exhibit No. 50
In the Matter of: American News Co
9/21/68 Witness Reporter PF

CIX-50-1A
9/24/69

12/27

770423

CONTROLLER'S OFFICE

DEDUCTIONS | DISCOUNT | BALANCE

00 | 500.00

DETACH AT PERFORATION
BEFORE DEPOSITING CHECK →

REMITTANCE ADVICE

THE ATTACHED CHECK IS IN PAYMENT IN FULL FOR ACCOUNT AS STATED ABOVE
NO RECEIPT REQUIRED

NEWS SYNDICATE CO. INC.

807

To FIRST NATIONAL CITY BANK
SECOND AVENUE AT 45RD STREET, NEW YORK, N. Y.

No. 4167

THE UNION NEWS CO
131 VARICK ST
NEW YORK 13 N Y

PAY TO THE ORDER OF

DATE | CHECK NUMBER | NET AMOUNT

NEWS SYNDICATE CO. INC.

NON-NEGOTIABLE

AUTHORIZED SIGNATURE

GOVERNMENT'S EXHIBIT 52 - LETTER FROM NEWS SYNDICATE TO UNION NEWS

August 4, 1969

Union News Company
131 Varick Street
New York, New York

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
JUL 10 1973

Attention: Mr. William McCollough

Dear Mr. McCollough:

This is to confirm that The News, on advice of counsel, will not pay the weekly invoices submitted by you for advertising services dated March 3, 1969 and each week thereafter.

Very truly yours,

NEWS SYNDICATE CO. INC.

By: J. J. Lynch

dd/
bcc: W. A. Carey
A. Hughes-Law Office
W. H. Jones
E. J. Rohrbach
J. E. Underwood

FEDERAL TRADE COMMISSION
File No. 2366 COMMISSION INVESTIGATIONAL Exhibit No. 52
In the Matter of: American News
Date 9/24/69 Witness [illegible] Reporter PT

CIX - 52
9/24/69

EXHIBIT 5

809a

GOVERNMENT'S EXHIBIT 57 - FINAL DECREE OF SECOND CIRCUIT DATED APRIL 27, 1962

RECEIVED
APR 30 1962
APPELLATE DIVISION

GOVERNMENT EXHIBIT
U. S. DISTRICT COURT
S. D. OF N. Y.
JUN 9 1973

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

AMERICAN NEWS COMPANY and THE UNION NEWS COMPANY,

Petitioners,

v.

FEDERAL TRADE COMMISSION,

Respondent.

Docket No. 26857

FTC 57

FINAL DECREE MODIFYING AND, AS MODIFIED, AFFIRMING AND ENFORCING ORDER TO CEASE AND DESIST

The American News Company and The Union News Company, corporations, petitioners herein, having filed in this Court on March 14, 1961, a petition to review and set aside an order to cease and desist issued against them on January 10, 1961, by the Federal Trade Commission, respondent herein, in a proceeding before it entitled "In the Matter of American News Company, The Union News Company, corporations, Docket No. 7396"; and a copy of said petition having been served upon respondent; and respondent having thereafter certified and filed in this Court a transcript of the entire record in said proceeding; and the matter having been heard by this Court on briefs and oral argument on October 10, 1961; and this Court having rendered its decision on February 7, 1962;

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the prayer of the aforesaid petition to set aside the order of the Federal Trade Commission be, and it hereby is, denied;

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the aforesaid order to cease and desist be, and it hereby is, modified to read as follows:

"IT IS ORDERED that the respondents, The American News Company and The Union News Company, corporations, their officers, employees, agents or representatives, directly or through any corporate or other device, in or in connection with the purchase in commerce, as 'commerce' is defined in the Federal Trade Commission Act, of products for resale on newsstands operated by respondents, do forthwith cease and desist from:

"Receiving, or inducing and receiving, or contracting for the receipt of, anything of value from any of their suppliers as compensation or in consideration for display or promotional services or facilities furnished by or through respondents in connection with the processing, handling, sale or offering for sale of products purchased from any of

RECEIVED
MAY 9 1962
LEGAL RECORDS

their suppliers, when respondents know or should know that such compensation or consideration is not affirmatively offered or otherwise made available by such suppliers on proportionally equal terms to all their other customers competing with respondents in the sale and distribution of such suppliers' products."

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the order to cease and desist as hereby modified, be, and it hereby is, affirmed, and that petitioners be, and they hereby are, commanded forthwith to obey said order and to comply therewith; and

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that within ninety (90) days after the entry of this decree petitioners shall file with the Federal Trade Commission a report in writing, setting forth in detail the manner and form in which they have complied with said order to cease and desist as hereby modified, affirmed and enforced.

Without prejudice to the right of the United States, as provided in Section 5(l) of the Federal Trade Commission Act, to prosecute suits to recover civil penalties for violation of the aforesaid order to cease and desist, hereby modified, affirmed and enforced, this Court retains jurisdiction of this cause to enter such further orders herein from time to time as may become necessary effectively to enforce compliance in every respect with its decree and to prevent evasions thereof.

CHARLES E. CLARK

STERRY R. WATERMAN

United States Circuit Judges

FILED
U. S. COURT OF APPEALS
SEP 27 1962
SIXTH CIRCUIT
CLERK

Dated: APR 27 1962

A true copy,

A. Daniel Fusaro

Clerk

EXHIBIT 6

GOVERNMENT'S EXHIBIT 58 - FEDERAL TRADE COMMISSION'S MODIFIED ORDER TO CEASE AND DESIST 811a

GOVERNMENT

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
JUL 9 1973

COMMISSIONERS:

Paul Rand Dixon, Chairman
Philip Elman
Everette MacIntyre
John R. Reilly

58

In the Matter of

AMERICAN NEWS COMPANY and THE UNION NEWS COMPANY

DOCKET NO. 7396

MODIFIED ORDER TO CEASE AND DESIST

Respondents having filed in the United States Court of Appeals for the Second Circuit a petition to review and set aside the order to cease and desist issued herein on January 10, 1961; and the court on February 7, 1962, having filed its decision, and on April 27, 1962, having entered its final decree modifying and as modified, affirming and enforcing said order to cease and desist; and the United States Supreme Court having denied a petition for certiorari filed by respondents;

NOW, THEREFORE, IT IS HEREBY ORDERED that the aforesaid order to cease and desist be, and it hereby is modified, in accordance with the said final decree of the Court of Appeals, to read as follows:

IT IS ORDERED that the respondents, The American News Company and The Union News Company, corporations, their officers, employees, agents or representatives, directly or through any corporate or other device, in or in connection with the purchase

in commerce, as "commerce" is defined in the Federal Trade Commission Act, of products for resale on newsstands operated by respondents, do forthwith cease and desist from:

> Receiving, or inducing and receiving, or contracting for the receipt of, anything of value from any of their suppliers as compensation or in consideration for display or promotional services or facilities furnished by or through respondents in connection with the processing, handling, sale, or offering for sale of products purchased from any of their suppliers, when respondents know or should know that such compensation or consideration is not affirmatively offered or otherwise made available by such suppliers on proportionally equal terms to all their other customers competing with respondents in the sale and distribution of such suppliers' products.

By the Commission.

Joseph W. Shea,
Secretary.

ISSUED: April 13, 1964

GOVERNMENT'S EXHIBIT 58 - LETTER FROM UNION NEWS TO NEW YORK TIMES

813a

Eastern News Company

131 VARICK STREET

NEW YORK 13, N. Y.

OFFICE OF THE VICE-PRESIDENT

January 19, 1960

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
JUL 9 1973

Mr. Amory H. Bradford, Business Mgr.
The New York Times
New York City

Dear Mr. Bradford:

On January 15, 1960 our Company entered into a new labor contract agreement with Local 906 and District 65 representing our sales help in newsstands. We have just analyzed the final cost to our organization and we are told by our auditing staff that reduced to units of sales of your commodity, namely newspapers, this additional cost will approximate 50 cents per hundred for dailies and $1.00 per hundred for Sunday papers.

We are therefore reluctantly informing you that we have no other course left to us but to increase the price of daily newspapers by 1 cent and the price of Sunday papers by 2 cents, and we are further giving you notice that this increase will be put into effect on February 15, 1960.

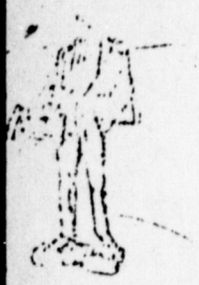
Very truly yours,

Morris Strassman

Morris Strassman

cc Mr. Nathan Goldstein
Circulation Manager

GOVERNMENT'S EXHIBIT 58 - MEMO FROM AMERICAN NEWS CO. 814a



The American News Company INC.

131 VARICK STREET, NEW YORK 13, N. Y.

March 8th, 1963

TO ALL OFFICERS AND EXECUTIVES
OF THE AMERICAN NEWS COMPANY AND
THE UNION NEWS COMPANY:

The following is the language of a Cease and Desist Order issued against us by the Federal Trade Commission as modified, affirmed, and enforced by the United States Court of Appeals for the Second Circuit:

"IT IS ORDERED that the respondents, The American News Company and The Union News Company, corporations, their officers, employees, agents or representatives, directly or through any corporate or other device, in or in connection with the purchase in commerce, as 'commerce' is defined in the Federal Trade Commission Act, of products for resale on newsstands operated by respondents, do forthwith cease and desist from:

"Receiving, or inducing and receiving, or contracting for the receipt of, anything of value from any of their suppliers as compensation or in consideration for display or promotional services or facilities furnished by or through respondents in connection with the processing, handling, sale, or offering for sale of products purchased from any of their suppliers, when respondents know or should know that such compensation or consideration is not affirmatively offered or otherwise made available by such suppliers on proportionally equal terms to all their other customers competing with respondents in the sale and distribution of such suppliers' products."

All Officers and Executives must familiarize themselves with the substance and import of this order and mut report promptly any information from any source whatsoever which might indicate the existance of a present violation or the danger of a potential violation of the above order with respect to any contracts, programs, plans, or agreements to which The American News Company or The Union News Company is a party.

Very truly yours,

Henry Garfinkle
President

HG/g
cc: Mr. Herbert Frilen, Executive Vice President
Mr. Morris Strassman, Executive Vice President
Mr. Nathan Kellerman, Vice President
Mr. John A. Murphy, Vice President
Mr. S.J.Van Brunt, Vice President
Mr. William J. Bliss, Secretary and General Attorney
Mr. M.J. Kilfeather, Treasurer
Mr. Joseph M. Christie, Assistant Vice President
Mr. Robert C. Dennis, Assistant Vice President
Mr. Ralph Flores, Assistant Vice President
Mr. William A. McCollough, Assistant Vice President
Mr. James A. Farley, Assistant Secretary
Mr. Joseph P. Kiernan, Assistant Secretary
Mr. Henry H. Spire, Assistant Secretary
Miss Mildred L. Morrison, Assistant Treasurer

GOVERNMENT'S EXHIBIT 16 - MEMO FROM GOLDSTEIN TO BRADFORD 816a

Memorandum for: *from Nathan W. Goldstein*

Mr. Bradford

Yesterday, we sent our letter to Mr. Strassman of Union News Company, notifying the company through him that we were simultaneously discontinuing the special price structure to Union News and initiating the payment of $2,000 per month for newsstand card advertising on 500 of their newsstands.

For clarification, I am listing in this memorandum a chronology of the special price concessions given to Union News since 1950 and the recent difficulties with them. These difficulties are manifested either in strikes or sales inhibitors to force price concessions.

DISCOUNTS AND REBATES

Effective Date	Area	Regular Price Daily	Regular Price Sunday	Rebate Remarks
1/23/50	Country Their Price	$3.75 3.50	$19.00	25¢ discount on Daily Only Their price $3.50 from 50 to 100 mile radius only.
6/22/52	City and Suburban Their Price	$3.75	$19.50 19.00	50¢ rebate on Sunday Only Their price $19.00 for City and Suburban area.
1/16/55	City and Suburban Their Price	$3.75	$19.50 18.75	75¢ rebate on Sunday Only Their price $18.75 for City and Suburban area; additional 25¢ over 1952 agreement.
2/1/57	Country Their Price	$3.75 3.50	$19.00	25¢ discount on Daily Only Their price $3.50 from 100 miles and beyond.--Additional miles over agreement of 1950.
7/1/57	Country Their Price	$8.00 7.00	$27.00 24.50	$1.00 discount from 100 miles and beyond--Their price $7.00 for Daily Only. $2.50 discount from 100 miles and beyond--Their price $24.50 for Sunday only.
10/12/58	Country Their Price	$8.00 7.00	$27.00 24.50	$2.50 discount from 50 miles to 100 miles--Additional 50 miles extended over 1957 agreement.
2/2/59	Country Their Price	$8.00 7.00	$27.00 24.50	$1.00 discount from 50 miles to 100 miles--Additional 50 miles extended over 1957 agreement.

FEDERAL TRADE COMMISSION
File No. 2146 COMMISSION INVESTIGATIONAL Exhibit No. 16
In the Matter of
Date 11-16-62 Witness Reporter

817a

COUNTRY DIVISION:

The quarter-cent discount on country dailies extended to beyond 100 miles, which became effective February 1, 1957, was given with the understanding that we would have all-day display on country Union News stands.

In February, 1957, a Union News bulletin ordered newsstand managers to take the Sunday issue of The Times off the display area of the stands, advising the managers to keep them under the counter for "regular customers" and to adjust orders accordingly. This same notice advised the managers that the Sunday Herald-Tribune was to be displayed. Superintendents were ordered to check and report that this order was made effective. This action followed their request for additional rebate. The order was not fully carried out, and our roadmen reports indicated that a number of managers maintained normal display. In about a week full display was resumed, and conversations between The Times and Union News concerning rebates were resumed.

Effective July 1, 1957, rebates became 1¢ per daily and 2½¢ per Sunday on all stands beyond the 100-mile area.

In October, 1958, and February, 1959, this rebate was extended to cover all newsstands beyond 50 miles.

In January, 1959, the Union News Company absorbed the 26 Peoples' Newsstands in Philadelphia. These outlets were added to the rebate list.

Beginning in the middle of March, 1960, we began to hear from our country roadmen to the effect that Union News was going to raise the newsstand cover price without the publisher's consent. All roadmen were alerted, but nothing developed until Saturday, April 9, when many but not all of the country Union News stands displayed a 12¢ daily price.

On April 10, we discontinued our daily and Sunday supply of approximately 4,000 daily and 3,500 Sunday. During the first week of the cut-off, our losses ran approximately 54% daily and 52% Sunday. This percentage of loss was reduced each week as readers began to buy from alternate outlets. In May, Union News returned to cover price and orders were resumed for sale May 14.

Through a circulation year we receive complaints of overcharging at individual Union News stands. When confirmed, our roadman immediately corrects the situation with the individual operating manager of the newsstand. This has been effective in keeping the price maintained.

STRIKES:

The most recent Union News strike involved outlets in New York City, Long Island and Westchester only. It did not involve New Jersey. When the operators of these stands went on strike, from Sunday, January 3, through Saturday, January 16, 1960, our sales were affected on the following stands in the indicated number of copies:

818a

	Total No. of Stands	Sale
City	166	15,000 copies
Suburban	79	17,000 "
Total	245	32,000 copies

	Stands Affected by Strike	No. of Copies
City	137	9,785
Suburban	30	12,480
Total	167	22,265

NET EFFECT OF STRIKE ON SALE:

City 2,800 copy loss per day (average)
Suburban 2,000 copy loss per day (average)

In May of 1960, Union News, in tactics similar to what they had started in the country division in April, withdrew The Times from regular counter display from May 3 to May 13. The net effect of this withdrawal was:

City 700 copy loss per day (average)
Suburban 400 copy loss per day (average)

As a result of this latter action, our losses were kept low because we switched the Union News sale to alternate outlets.

We now have a complete record of every Union News outlet in the country, its draw and the alternate outlets we would use in substitution should it become necessary for us to do so. Of course, during such a sales transition, we would have an immediate declining loss figure while readers become accustomed to purchasing it at an alternate outlet.

Below is a reasonably accurate set of current statistics indicating the number of Union News outlets and copies with the number of alternate outlets and beginning transition sale we can expect if it becomes necessary to make a changeover. These alternates are established outlets. In some cases, such as airports with no newsy outlets, we may have to set up limited sales points.

The alternate outlet circulation indicates that, should we make this transition, we estimate on the basis of previous switches in circulation a loss not to exceed 15% in the City and Suburban and 30% Country.

	UNION NEWS			ALTERNATE OUTLETS		
	No. of Stands	DAILY (per day Av.)	SUNDAY	No. of Outlets	DAILY (p/day Av.)	SUNDAY
CITY	168	13,081	7,151	206	11,119	6,07[illegible]
SUBURBAN	79	14,628	1,085	131	12,434	92[illegible]
NATIONAL	150	4,938	4,498	135	3,457	3,14[illegible]
TOTAL	397	32,647	12,734	472	27,010	10,14[illegible]

N.M.G.

April 21, 1961
dm

cc: Mr. Loeb
Mr. Bancroft
Mr. Veit.

GOVERNMENT'S EXHIBIT 13 - MEMO FROM VEIT TO BRADFORD

Memorandum for Mr. Bradford *from Ivan Veit*

October 10, 1963

I mentioned the proposal that we use promotion posters in Union News stands [illegible] who in turn discussed it with his associates down at [illegible]. Mr. Loeb then repeated to me the original judgment that [illegible] no objection to the poster proposal. On the contrary, the laywers think it a [illegible] improvement over our present practices with regard to Union News. They consider it an extension of our established use of posters, painting news-stands and installation of promotion signs in stationery store wondows. They hope that we would find some worth while display in addition to Union News signs. I told them this already has been anticipated because we are putting signs in the Chicago airport.

I think that we should proceed with this plan whether or not it appeals to any other newspaper. I wouldfavor it, however, only as a complete substitution for what we are now doing, not as a limited operation to supplement concessions now in effect.

Ivan Veit

IVeit

FEDERAL TRADE COMMISSION
File No. 23-6
COMMISSION INVESTIGATIONAL Exhibit No. 13
In the Matter of: [illegible]
Date 1/23/67 Witness Reporter

CIX-13

GOVERNMENT'S EXHIBIT 20 - MEMO FROM CIRCULATION DEPARTMENT 821a

Memorandum from the Circulation Department

June 12, 1962

MR. P. J. REYNOLDS

RE: Union News Stands in the Country Territory

A. 166 outlets are actively selling The New York Times.

B. 32 outlets are not displaying Promotional materials. (List of outlets in this category attached).

RE: Accounts that Receive Times at Lower Price

A. We pay $35.00 per month - Airport Canteen to cover Chicago Midway Airport.

B. Armstrong Co., Boston, receives a 1¢ per net copy rebate, daily only.

C. District News receives 2¢ per daily home delivered copy rebate.

D. The following Home Delivery Carriers receive ½¢ per daily and 2¢ per Sunday copy rebate:

Dearborn News (Ill.)
Woodlawn News "
Hyde Park News "

The last bill we have received from these carriers was on 4/2/61, and I do recall instructing Sam Kaplan to eliminate the 2¢ per Sunday copy rebate, since the dealers are charging 45¢ per copy.

DAH/w

R. J. Waters

cc: Mr. N. W. Goldstein

FEDERAL TRADE COMMISSION
File No. 21-4 COMMISSION INVESTIGATIONAL Exhibit No. 21
In the Matter of:
Witness

MR. P. J. REYNOLDS

June 12, 1962

RE: Union News Stands in the Country Territory

✓ Springfield, Mass.
✓ New London, Conn.
✓ Sheraton Hotel, Rochester, N.Y.
✓ Lancaster, Pa.
✓ Washington Union Station (#5-#6-#7)
✓ Willard Hotel, Washington, D.C.
✓ Sheraton Belvedere, " " "
✓ " Carlton, " " "
✓ " Park, " " "
✓ Ten Eyck Hotel, Albany, N.Y.
* N. Y. Central Train Service, Albany, N.Y.
✓ Union News, New York Central
✓ Albany Hospital
✓ C & N W # 8, 9, 11, Chicago, Ill.
✓ Blackstone Hotel, " "
✓ La Salle St. Station, # 3 & # 5
✓ Merchandise Mart # 1
✓ Union Depot, Columbus, Ohio
* Gibson Hotel, Cinn., Ohio
* Van Cleve. Hotel, Dayton, Ohio
✓ N.Y.C. Station, Toledo, Ohio
✓ Fort St. Station, Detroit, Mich.
✓ Michigan Central # 4, Detroit, Mich.
✓ Sheraton Towers, Chicago, Ill.
* 37 W. Monroe, Chicago, Ill.
* Board of Trade, Chicago, Ill.

* Not listed

July 3, 1963 823a

Mr. Joseph Henley
[illegible]
[illegible]
Chicago 38, Ill.

Dear Mr. Henley:

Effective May 24, 1963, this is your authority to bill us at the rate of $ 50.00 per month for special advertising display at the main newsstand, O'Hare Airport, Chicago, Ill. This is an all year service.

If you will forward bills for this service to our Auditing Department monthly, you will be reimbursed accordingly.

Yours very truly

THE NEW YORK TIMES

Roger J. Waters
National Circulation Manager

JHell/m

cc: Mr. S. Kaplan
[illegible]
Miss S. Desecque
Trans. File

Memorandum from the Circulation Department

824a

August 27, 1964

To: Mr. McNamee

[redacted]
Airport situation.

We are paying Henley $50.00 per month, ostensibly for the privilege of displaying a sign in return for which we are to get copy display on the stands. Not only are we not displayed with the local papers, but they are charging 20¢ per copy.

The original agreement dates back to when Midway Airport was in operation.

Should Sam not be able to get into this in the near future, would you find out from him who we can contact direct.

[redacted] Holmberg

CC: Mr. Goldstein
k

CANTEEN SERVIC INC.
O'HARE INTERNATIONAL AIRPORT, TERMINAL 3, CHICAGO, ILLINOIS PHONE 686-7533

825a

September 21, 1964

New York Times
Times Square
New York 36, New York

Attention Mr. Roger J. Waters

We wish to advise you that we have not received our allowance of $50.00 per month for April, May and June 1964, for advertising display at O'Hare Airport, Chicago, Illinois.

We will appreciate receiving check for $150.00 to cover this period.

Yours very truly,

[signature]

Airline Canteen Service Inc.
O'Hare Airport
Box 8810
Chicago, Illinois

Memorandum from the Circulation Department

826a

October 15, 1964

MR. SAM KAPLAN

Pictures on Whore Field:

1. We are not displayed.

2. Henley is charging 20¢ per copy.

Is there anyone we can contact directly on this?

JFMcN/w

John F. McNamee

November 27, 1934

Mr. Joseph Henley
[illegible] Hudson Service, Inc.
[illegible] Airport

Dear Mr. Henley:

While in Chicago recently, I tried to call on you with our Midwestern representative, Mr. Sam Kaplan, on November 20. Unfortunately, you were not available that day.

I did want to discuss with you the $50 per month allowance for an advertising display at O'Hare Airport which we were paying you. I particularly noticed that there was no advertising display at the Airport; that the daily Times was not displayed on the front of your rack, but kept behind the counter; that one stand was sold out by noontime; and that no Sunday editions are available at O'Hare.

I know you are making a respectable profit on the sale of The New York Times daily edition, and I am convinced that if they were properly displayed, you could increase the sale to 350 or 400 copies per day.

The local Chicago papers, of course, have their own [illegible] racks at convenient locations in the Terminal building in addition to the copies which you handle. The Times, on the other hand, is only available through you, and in view of the importance of the O'Hare Airport and the number of important and influential people using this facility, we feel that it is most important for us to be properly represented and displayed.

I would appreciate your consideration of this problem, and any comments that you would care to make.

Sincerely,

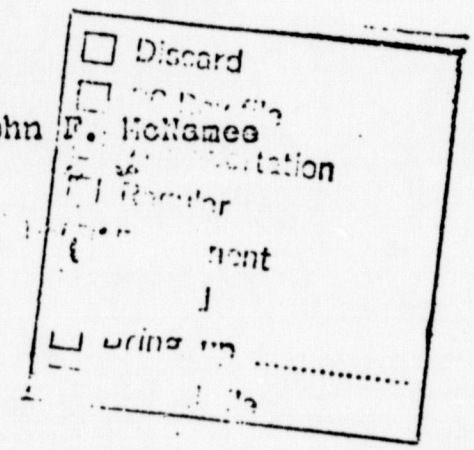
k

[illegible] (with carbon) to John Wallace

February 24, 1965

MR. J. KOSINSKI
GENERAL ACCOUNTING DEPT.

[illegible] Chicago, Ill. This was an all year round service.



cc: Mr. Sam Kaplan -

DEFENDANT'S EXHIBIT D - LETTER DATED OCTOBER 24, 1962 FROM AMERICAN NEWS

"COVERING A CONTINENT"

829a

The American News Company INC.

131 VARICK STREET, NEW YORK 13, N. Y.

DEFENDANT'S EXHIBIT
U. S. DIST. COURT

October 24, 1962

Gentlemen:

We are sure that you are aware that we have at all times sought to treat our suppliers as equitably as possible in accordance with legal requirements and with consideration for the necessary minimum requirements for the operation of our business.

We are sure that you are aware of the special character of our newsstand operations and the conditions which we must meet in order to be able to continue in business to provide the kind of service we are under obligation to offer, with some expectation of profit in the interests of our many stockholders to whom we owe a duty as a publicly held company.

We would like to take this occasion to mention particularly that any discounts, rebates or promotional allowances for services or facilities which you may offer to us should be offered to all of your newsstand customers on proportionally equal terms where they are in competition with our stands. We ask that you bear this in mind particularly and promptly apprise us of any instance in which this may not be applicable.

We will assume that any offers to grant us any such discounts, rebates or allowances will constitute a representation by you to us that they are equal or proportionally equal to those offered to newsstands which are competing with us; and that this will apply to the continuance in the future of any such payments to us.

We suggest that if you have any questions regarding this situation you communicate with your own counsel or with the Federal Trade Commission to obtain their views.

We trust that we may be of service to you on a mutually profitable basis and in compliance with our legal requirements.

Sincerely,

Herbert Frilen

Herbert Frilen
EXECUTIVE VICE PRESIDENT

DEFENDANT'S EXHIBIT E - LETTER DATED JANUARY 19, 1960 FROM UNION NEWS TO DAILY NEWS AND ATTACHMENTS

COPY

THE UNION NEWS COMPANY
131 Varick Street
New York 13, N.Y.

January 19, 1960

U.S. EX.

New York Daily News
220 East 42nd Street
New York, N. Y.

JUL 10 1973

Dear Mr. Donnelly:

On January 15, 1960 our Company entered into a new labor contract agreement with Local 906 and District 65 representing our sales help in newsstands. We have just analyzed the final cost to our organization and we are told by our auditing staff that reduced to units of sales of your commodity, namely newspapers, this additional cost will approximate 50 cents per hundred for dailies and $1.00 per hundred for Sunday papers.

We are therefore reluctantly informing you that we have no other course left to us but to increase the price of daily newspapers by 1 cent and the price of Sunday papers by 2 cents, and we are further giving you notice that this increase will be put into effect on February 15, 1960.

Very truly yours,

Morris Strassman
Vice President

cc Mr. W. Welkowitz, Circulation Mgr.

January 21, 1960 831a

The Union News Company
131 Varick Street
New York 13, New York

Attention: Morris Strassman, Vice President

Gentlemen:

Your letter of January 19, 1960 addressed to Mr. C. E. Donnelly, Business Manager of The News, has been referred to me.

In our judgment your proposed action will cause serious damage to The News.

We have therefore decided that if and when you make effective a charge above the retail price established by The News, such action will force us to adopt other arrangements for making the Daily News and Sunday News available to the public at established prices.

Very truly yours,

William Welkowitz

cc: Mr. C. E. Donnelly

bcc: Messrs. G. T. Townley
Howard Carter
P. B. Stephens
F. M. Flynn

832a

The Hearst News Company

131 VARICK STREET

NEW YORK 13, N. Y.

OFFICE OF THE VICE-PRESIDENT

Ppl to G.T.T

February 11, 1960

Mr. G. E. Donnelly
Business Manager
New York Daily News
220 East 42nd Street
New York, N. Y.

Dear Mr. Donnelly:

On January 19th, 1960, we informed you that from February 15th, 1960, our Company would be forced to increase the price of newspapers 1¢ on dailies and 2¢ on Sunday papers.

Mr. Marvin Berger of the New York Post has requested our firm to postpone the date of increase from February 15th, 1960 to March 1st, 1960. Because of our long association with the Post, we have adhered to Mr. Berger's request. Out of fairness to other publishers, we therefore will postpone the date of increase for all papers from February 15th to March 1st.

Sincerely yours,

Morris Strassman
Vice President

February 16, 1960

833a

The Union News Company
131 Varick Street
New York 13, New York

Attention: Mr. Morris Strassman, Vice President

Gentlemen:

In your letter of February 11th addressed to Mr. G. E. Donnelly, Business Manager of The News, you mention a postponement of an arbitrary charge above our established retail price from February 15th until March 1st.

You state that this has been deferred as a result of a discussion which you had with a representative of The New York Post.

We have no knowledge of, or interest in, arrangements which you may have made with any other paper.

I wish to reaffirm what I stated in my letter of January 21st that, if and when you make effective a charge above retail price established by The News, we will be forced to adopt other arrangements to make the paper available to the public at the established prices.

Very truly yours,

William Welkowitz

cc: Mr. G. E. Donnelly

bc: Messrs. F. M. Flynn
P. B. Stephens
G. Townley ✓

EXHIBIT
S. DIST. COURT
S. D. OF N. Y.
JUL 11 1973

D

F

PROSPECTUS

EASTERN NEWSSTAND CORPORATION

200,000 Common Shares
($.05 Par Value)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prior to the date of this offering, there has been no public market for the Common Shares of the Company. The offering price has been determined by negotiation between the Company, the Selling Shareholders and the Underwriters. The Company will not receive any of the proceeds from the sale of the 100,000 Shares being offered hereby by the Selling Shareholders.

	Price to Public	Underwriting Discounts, Commissions and Expenses (1)(3)	Proceeds to the Company (2)	Proceeds to Selling Shareholders (1)(2)
Minimum Per Share	$5.00	$.60	$4.40	$4.40
Total (Minimum)	$ 500,000	$ 60,000	$220,000	$220,000
Maximum Per Share	$5.00	$.60	$4.40	$4.40
Total (Maximum)	$1,000,000	$120,000	$440,000	$440,000

(1) Includes a minimum of $50,000 and a maximum of $100,000 ($.50 per share) for cash underwriting discounts and commissions; a minimum of $10,000 and a maximum of $20,000, respectively ($.10 per share), as an unaccountable expense allowance, but excludes substantial additional compensation to the Underwriters including the purchase by the Underwriters of Warrants, certain registration rights, preferences with respect to future financings and indemnification as set forth under the captions "Rights to Purchase Common Shares—Warrants" and "Underwriting." The underwriting discounts and commissions and unaccountable expense allowance will be borne by the Company and the Selling Shareholders in proportion to the number of shares sold for their respective accounts.

(2) Before deducting filing, printing, legal, accounting and other expenses estimated at $. Expenses described in this footnote will be paid solely by the Company.

(3) The Underwriters have agreed to act as exclusive agents for the Company and for the Selling Shareholders in making a public offering of the Shares covered by this Prospectus. The underwriting is on a "best efforts, 50% or none" basis, and its terms provide that if less than 50% of the Shares offered hereby are sold within 60 days from the date hereof (extendable to 120 days by agreement between the Company, the Selling Shareholders and the Underwriters), no Shares will be sold and all funds collected from subscribers will be promptly refunded, without interest. Until completion of the offering, funds received from subscribers will be deposited and held in a special escrow account at Chase Manhattan Bank N.A. Any of the Shares being offered hereby that are not sold will be deregistered. See "Underwriting" herein.

These Shares are offered by the Underwriters as agent for the Company and the Selling Shareholders, subject to prior sale, approval of certain legal matters by counsel, withdrawal, cancellation or modification of the offer without notice, and the right to reject subscriptions in whole or in part.

NEW YORK INVESTING CORPORATION **CREATIVE PROGRAMS CORP.**

The date of this Prospectus is , 1971.

Until , 1972 (90 days after the effective date of the Registration Statement), all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

No dealer, salesman or any other person has been authorized by the Company, the Selling Shareholders or any of the Underwriters to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offering described herein, and, if given or made, such information or representations must not be relied upon as having been authorized by the [illegible] in any State to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Company since the date hereof.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON SHARES OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE OFFERING

Eastern Newsstand Corporation (the "Company") and Messrs. Bernard H. Green and Stanley M. Jordan, the President and Secretary-Treasurer of the Company, respectively, as sole shareholders (the "Selling Shareholders"), have engaged the Underwriters as their agents to sell up to the [illegible] Common Shares of the Company, par value $.05 per share (the "Shares"), on a best efforts, all or none" basis. Thus, if at least 50% of the Shares are not sold and paid for within [illegible] offering will be terminated. All amounts received from subscriptions will be promptly returned to the subscribers without interest or deduction as the Chase Manhattan Bank N.A. during the period of this offering for that purpose.

If 50% or more of the Shares offered hereby but less than 100% are sold, there will be a proportionate reduction as between the Company and the Selling Shareholders with respect to the number of Shares actually sold by them, respectively.

Since there is no firm commitment on the part of the Underwriters to purchase any of the Shares being offered hereby, there can be no assurances that even the minimum number of Shares will be sold.

INTRODUCTORY STATEMENT

The Company

The Company was incorporated under the laws of the State of New York on July 16, 1945. It operates news and tobacco shops largely in major office buildings in the metropolitan New York City area. It maintains its executive offices and warehouse at 90-10 Merrick Boulevard, Jamaica, Queens, New York, and its telephone number is (212) 657-8811. It has no subsidiaries.

Prior to this offering, Messrs. Bernard H. Green, a director and president, and Stanley M. Jordan, a director and secretary-treasurer, each owned 50% of the outstanding Common Shares of the Company. Assuming the successful sale of all of the Shares offered hereby, Messrs. Green and Jordan together will own approximately 66⅔% of the outstanding Common Shares; if only the minimum of 100,000 Shares are sold, said individuals will own approximately 82% of the outstanding Common Shares of the Company. In either event, Messrs. Green and Jordan, acting together, should in the future be able to elect a majority of the members of the Company's Board of Directors and thus will control the Company (see "Description of Common Shares"). The operations of the Company are substantially dependent on the efforts of said individuals.

Dilution

Assuming the sale of all of the 200,000 Shares being offered hereby, the purchasers in this offering will own 200,000 Common Shares of the Company, or approximately one-third of its outstanding shares, for which such purchasers will have paid an aggregate of $1,000,000. The net tangible book value of the Company's Common Shares was approximately $2.93 per share on June 26, 1971. Assuming the sale of all of the 100,000 Shares being sold by the Company on that date, the estimated proceeds to the Company will increase the net tangible book value by $.14 per share to $3.07 per share, and therefore on a pro forma basis and assuming no other changes, the purchasers' interest in the net tangible book value would be immediately diluted by $1.93 per share. On the same assumptions, if only 50,000 Shares are sold by the Company, the net tangible book value per Common Share will increase by $.03 to $2.96 per share, and the purchasers' interest in the net tangible book value would be immediately diluted by $2.04 per share.

In addition, it should be noted that, upon completion of this offering, the Company has agreed to sell to the Underwriters warrants to purchase at a price of $6.00 per share up to a maximum of 10,000 Common Shares of the Company, the exact number of Common Shares being dependent on the number of

Shares actually sold by the Underwriters on behalf of the Company. Furthermore, the Company has granted options to purchase 14,000 Common Shares at a price of $5.00 per share pursuant to its Qualified Stock Option Plan (see "Rights to Purchase Common Shares"). The holders of these warrants and options may reasonably be expected to exercise such securities at a time when the market price of the Company's Common Shares is greater than the Warrant or option exercise price. In that event, the interest of [illegible] shareholders of the Company [illegible]

[illegible] shares may be available for purchase upon exercise of Warrants and options may make it more difficult for the Company to raise additional capital on as favorable terms as might otherwise be available.

USE OF PROCEEDS

Whether the maximum or minimum number of shares are sold, the net proceeds received by the Company (estimated at a minimum of $ and a maximum of $), will be allocated and used, to the extent received, for the following purposes and in the following order of priority.

(1) The acquisition and preparation of new locations, nine of which are presently in various stages of completion. The cost of preparing these nine locations ranges from a minimum of $15,000 to a maximum of $42,000 or an average of approximately $25,000. Thus the total to be expended for these new locations will be approximately $225,000.

(2) The repayment of a $110,000 ninety day note obtained from Chase Manhattan Bank on September 16, 1971. Of this sum of $110,000, $60,000 was used to purchase a privately owned established shop in the lower arcade of the Equitable Building at 120 Broadway, New York, New York. The balance of $50,000 was used to repay a loan obtained prior to 1961 from a member of the family of one of the Selling Shareholders (see Note 6 of Notes to Financial Statements).

Any excess funds will be added to the working capital of the Company and available for general corporate purposes.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of October 15, 1971 and as adjusted to reflect the sale of the maximum number of Shares offered hereby.

Title of Class	Authorized	Outstanding as of October 15, 1971	To be Outstanding
6% Ninety Day Note payable to bank, due December 15, 1971	$110,000	$110,000	None
Common Shares, $.05 par value	1,000,000 shs.	500,000 shs.	600,000 shs. (1)
Common Share Purchase Warrants	10,000	—	10,000 (2)

(1) Assuming the sale of all of the Shares offered hereby, but exclusive of the 10,000 Common Shares reserved for the issuance upon exercise of Warrants and 20,000 Common Shares reserved for issuance upon exercise of options granted or to be granted pursuant to the Company's Qualified Stock Option Plan (see "Rights to Purchase Common Shares").

(2) Assuming the sale of all of the Shares offered hereby, 10,000 Warrants will be outstanding and will be exercisable for a period of three years commencing about one year after the effective date of this registration at a price of $6.00 per share (see "Rights to Purchase Common Shares—Warrants").

See Note 7 of Notes to Financial Statements with regard to the extent of obligations under leases of real property.

Dividends

Prior to the Preliminary Prospectus the Company has not paid any dividends on its Common Stock. The Board of Directors declared a dividend of 5¢ per share payable on November 1, 1971 to shareholders of record at the close of business on October 28, 1971. The Company intends to declare and pay another dividend of 5¢ per share, payable on February 1, 1972 and to continue to pay quarterly dividends in the same amount thereafter. However, there is no assurance that the Board of Directors will declare and the Company will pay such dividends as these must necessarily depend on the business, earnings and profits of the Company. Further, the declaration of such dividends is in the discretion of the Board of Directors.

STATEMENT OF INCOME

The following statement of income of Eastern Newsstand Corporation for the five years ended June 26, 1971 have been examined by Margolin, Winer & Evens, independent certified public accountants, whose opinion with respect thereto is contained elsewhere in this Prospectus. The portion of the statement which relates to the thirteen weeks ended September 26, 1970 and September 25, 1971 is unaudited; however, in the opinion of management, it includes all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of its operations for these periods. The results for the thirteen weeks ended September 25, 1971 are not necessarily indicative of the results for the full year. This statement of income should be read in conjunction with its notes and with the other financial statements and notes appearing elsewhere in this Prospectus.

	Fiscal Years Ended					Thirteen Weeks Ended	
	July 1, 1967	June 29, 1968	June 28, 1969	June 27, 1970	June 26, 1971	Sept. 26, 1970	Sept. 25, 1971
	(A)					(Unaudited)	(Unaudited)
Net Sales	$6,200,176	$7,403,763	$8,473,806	$9,970,243	$10,476,286	$2,502,459	$2,360,179
Cost of Sales	4,447,228	5,214,609	5,821,550	6,725,891	6,926,215	1,686,664	1,506,779
Gross Profit on Sales	$1,752,948	$2,189,154	$2,652,256	$3,244,352	$ 3,550,071	$ 815,795	$ 853,400
Selling, General and Administrative Expenses (B)	$ 981,026	$1,156,700	$1,320,702	$1,643,651	$ 1,858,382	$ 461,856	$ 467,010
Rent Expense (C)	497,907	577,380	632,411	751,491	836,555	209,574	213,156
Employees' Profit Sharing Plan Contribution	29,256	36,740	41,508	50,905	57,065	14,256	15,200
Depreciation and Amortization	76,385	74,519	92,301	115,489	139,109	27,781	30,8[illegible]
Interest Expense	3,442	6,935	9,244	8,567	5,766	1,417	1,442
	$1,588,016	$1,852,274	$2,096,166	$2,570,103	$ 2,896,877	$ 715,284	$ 727,621
Operating Income	$ 164,932	$ 336,880	$ 556,090	$ 674,249	$ 653,194	$ 100,502	$ 125,779
Other Income (D)	—	1,404	18,553	15,673	25,938	9,165	5,137
Income Before Income Taxes	$ 164,932	$ 338,284	$ 574,643	$ 689,922	$ 679,132	$ 109,667	$ 130,916
Provision For Income Taxes:							
Federal (E)	$ 57,418	$ 143,647	$ 249,697	$ 306,992	$ 273,993	$ 45,075	$ 52,406
State and City	19,146	40,590	63,437	79,904	82,819	12,375	18,352
	$ 76,564	$ 184,237	$ 313,134	$ 386,896	$ 356,812	$ 57,450	$ 70,758
Net Income	$ 88,368	$ 154,047	$ 261,509	$ 303,026	$ 322,320	$ 52,217	$ 60,158
Earnings Per Share (F)	$.18	$.31	$.52	$.61	$.64	$.10	$.12

See accompanying notes

Notes to Statement of Income

(A) On July 3, 1967 a statutory merger was effected between Eastern News-stand Company, Inc. (Eastern) and Hudson News Co., Inc. (Hudson) [illegible] basis.

(B) Includes officers' compensation of $84,875 (1967), $100,200 (1968), $102,400 (1969), $109,400 (1970), $160,400 (1971), $40,100 (thirteen weeks ended September 26, 1970) and $41,600 (thirteen weeks ended September 25, 1971).

(C) Rents were incurred as follows:

Fiscal Year	For News and Tobacco Shops	For Office and Warehouse
1967	$485,307	$12,600
1968	564,041	13,339
1969	613,811	18,600
1970	732,891	18,600
1971	817,955	18,600
Thirteen Weeks Ended:		
September 26, 1970	205,324	4,650
September 25, 1971	208,506	4,650

(D) Other Income consists primarily of commissions earned on the sale of New York State lottery tickets.

(E) Federal income taxes were reduced by net investment credits as follows: 1967—$9,312; 1968—$8,449; 1969—$12,290; 1970—$8,924; 1971—none; thirteen week periods 1970 and 1971—none.

(F) Net income per share is calculated on the basis of 500,000 shares outstanding, which gives retroactive effect to the recapitalization described in Note 8 to Financial Statements.

(G) The Company has not paid dividends to September 25, 1971.

Results for the thirteen week period ended September 25, 1971 are not necessarily indicative of results of operations for a full year since the Company generally experiences higher costs during the summer months when it must provide sufficient temporary help and shift employees to cover vacancies at its shops during the vacation months. This situation adds to the expenses of operations at a time when sales are not at their highest level. Net sales for the current year's first quarter declined from the comparable period a year ago due to the closing on June 26, 1971 of a Company shop located in Brooklyn Jewish Hospital. At the same time, net income increased for the current year's first quarter because of significant increases in the retail prices of cigarettes and candy.

HISTORY AND BUSINESS

The Company operates retail news and tobacco shops in space leased and equipped by it (the "shops"). These shops are located in major office buildings, terminals, hotels, and shopping areas in the metropolitan New York City area, Cleveland, Chicago and Greenwich, Connecticut with a majority of them being located in the lobbies of major office buildings in the New York City metropolitan area. The Company started in 1945 with one shop in the Hotel St. George in Brooklyn, New York, and as of the date of this Prospectus, operates 67 shops and has nine more in preparation, all of which are scheduled to open by March, 1972. In 1967, a second company owned and operated by the present principals of the Company became a subsidiary of and was merged into the Company in order to consolidate operations that were being run as one operation prior to the merger.

The line of merchandise sold by the Company consists of cigars, smokers' accessories, cigarettes, tobaccos, newspapers, magazines, pocket-book editions, candies, gifts and sundries. The class of products sold by the Company fall into the following five main categories and, for the year ended June 26, 1971, contributed to total sales approximately as follows:

Class of Product	Percent of Sales
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Paper-backed books and miscellaneous	11%
Cigars and Tobacco	[illegible]

Greeting cards and boutique items are also sold in several of the Company's shops. The Company's business is primarily a cash business and the Company carries no accounts receivable from customers.

Because the Company makes an investment in equipment and leasehold improvements, it is Company policy to seek relatively long-term leases, generally with an initial term of ten years. As of the date of this Prospectus, the Company's leases for shops call for aggregate base rentals of approximately $933,300 per year, which include $151,200 for shops which are currently in preparation. The leases, which also contain provisions requiring the payment of the greater of a basic rental or a percentage of sales, have an average remaining term in the aggregate of seven years. Nine of the Company's leases expire within the next two years. However, in this connection, since the inception of the Company, except in one instance which involved a hospital, the Company has never been refused renewal of a lease on its termination, although there can be no assurance that these circumstances will continue. The average shop's overhead is limited to rent and to payroll. In most instances, electric current and air conditioning are included in the lease rental.

The Company designs its own shops and has them installed by contractors employed by the Company at costs varying from $15,000 to $42,000 per shop. All of the Company's units, which range in size from 150 square feet to 1,500 square feet and average 200 square feet, are modern and fireproof. By typical lease provision, the Company is obligated to maintain a newly-opened look in order to complement the lobbies or areas in which the units are located. Annual sales of units range from a low of $60,000 to a high of approximately $750,000, averaging $150,000 per unit.

Generally, a Company office building shop is open for business from 7:30 a.m. to 5:30 p.m., Monday through Friday, and is staffed by a manager and one assistant. Each unit is visited at least weekly by members of the Company's supervisory staff who oversee the physical condition of both the shop and the items sold at the shops, verify that the Company's merchandising policy is being followed, and take a complete physical inventory generally on a monthly basis.

The Company trains the managers of its shops and its inventory crews in control systems as well as in selling methods with the result that over the years, merchandise losses from theft have averaged less than 1% of cost. The Company believes that its control systems and compactly designed shops have helped to keep inventory losses to this minimum. The Company also believes that its controls have facilitated the securing of leases since building owners, whose lease rentals are partly dependent on the sales volume of the Company's shops, are more apt to grant leases to experienced companies whose accounting and inventory control systems meet their requirements.

The following is a complete list of the buildings in which the Company operates, all of which are leased except as specifically noted, located in New York City:

[illegible]

[illegible] Building, 30 Broadway

George Washington Bridge Bus Terminal (2 shops)
Sperry Rand Building, Rockefeller Center
Smith Haven Shopping Mall, Lake Grove, N.Y.
Sterling National Bank, 540 Madison Avenue
International Hotel, JFK Airport, Jamaica, N.Y.
Jamaica Bus Terminal, 89-15 165th St., Jamaica, N.Y.
Hotel St. George, 71 Clark St., Brooklyn, N.Y.
Mobil Oil, 150 E. 42nd Street
Office Building, 750 3rd Avenue
Chase Manhattan Bank, 1 Chase Manhattan Plaza (3 shops)
Union Carbide, 270 Park Avenue (2 shops)
Office Building, 380 Madison Avenue
Burroughs Building, 605 3rd Avenue
Sterling Drug, 90 Park Avenue
J. C. Penney Building, 1301 Ave. Americas
Chemical Bank, 277 Park Avenue
Columbia Broadcasting, 51 W. 52nd Street
Lincoln Building, 60 E. 42nd Street
MacMillan Building, 866 3rd Avenue
American Brands, 245 Park Avenue
American Broadcasting, 1330 Ave. Americas
Office Building, 55 Broad Street
Springs Building, 109 W. 39th Street
Office Building, 2 Broadway
Office Building, 80 Pine Street
General Telephone, 730 3rd Avenue

Office Building, 60 Broad Street
[illegible]
FDR Post Office Building, 909 3rd Avenue
Office Building, 1133 Ave. Americas
Burlington Mills, 1345 Ave. Americas
Office Building, 1775 Broadway
Manufacturers Hanover Trust, 4 New York Plaza
Battery Park Plaza, 24 State Street
Random House, 825 3rd Avenue
Carpet Center, 919 3rd Avenue
Penn Plaza Building, 2 Penn Plaza
Bristol Myers, 345 Park Avenue
Bankers Trust, 280 Park Avenue
Chemical Bank, 500 Lexington Avenue
Paramount Building, 1501 Broadway
Office Building, 1411 Broadway
Schroder Building, 1 State Street Plaza, New York, N.Y.
Plaza Railroad Depot, Greenwich, Conn.
John Hancock Center, Chicago, Illinois
Tishman-Gateway, 10 S. Riverside Plaza, Chicago, Ill.
Tishman-Gateway, 120 S. Riverside Plaza, Chicago, Ill.
Insurance Exchange, 175 W. Jackson, Chicago (2 shops)
Cleveland National Bank, 800 Superior, Cleveland, O.
Erieview Plaza, 100 Erieview, Cleveland, O.

In addition, the following are locations in which the Company has acquired new leases, all of which are in New York City, and in which shops are presently under preparation:

600 Third Avenue
1633 Broadway
100 Gold Street
555 W. 57th Street
Astor Plaza No. 1
Astor Plaza No. 2
Liberty Plaza No. 1
Liberty Plaza No. 2
1114 Ave. Americas

Property

The Company maintains an office and warehouse at 90-10 Merrick Boulevard, Jamaica, New York 11432. The warehouse occupies 12,000 square feet on two levels and the office 6,000 square feet [illegible]

second floor. The rental for the 18,000 square feet is $18,600 per annum. The Company has signed a lease for approximately an additional 15,000 square feet of space in the adjoining building at an annual rental of $12,000 and expects to take possession of this space about November 1st. The office and warehouse leases terminate in December 1974. This recent space acquisition will provide, in addition to existing recently modernized offices, ample area for the Company's foreseeable needs.

Operations

[illegible] except for newspapers and magazines, centralized purchasing, from manufacturers [illegible] Company takes place at the [illegible]

[illegible] cigarettes are purchased from local distributors. The Company does not engage in advertising or promotion of [illegible] products since these are made up, in general, of national brands advertised on a large scale by the various manufacturers. It is Company policy to take advantage of cash discounts.

Approximately 29.5% of the Company's revenues, excluding amounts for cigarette taxes, are derived from the sale of cigarettes. The Federal Cigarette Labelling and Advertising Act of 1965, as amended, requires that packages of cigarettes distributed in the United States bear a warning that cigarette smoking is dangerous to health. Although these regulations do not affect the Company directly, they may have, to the extent that they may be effective in reducing smoking, an adverse impact on the sales of cigarettes in general. In Management's opinion, existing regulations, which have been in effect for several years, have not had a material adverse effect on the Company's sales of cigarettes to date. There can be no assurance that this condition will continue.

Cigarettes and other tobacco products are also subject to federal excise taxes at the manufacturing level and to state and local cigarette or tobacco taxes which are included in the price of these products. By license from New York City and New York State Cigarette tax authorities, the Company is permitted to buy cigarettes directly from manufacturers and affix tax stamps directly which has the effect of reducing merchandise costs.

Employees

The Company has approximately 164 full-time employees and, in addition, about 27 regular part-time employees. Included in the full-time employees are the two officers, a controller, an office manager, six clerical workers, four supervisors and a gift and sundry buyer. In addition, there are eleven full-time employees in the central stockroom, including a manager and assistant manager.

Approximately five employees in one location are covered by a collective bargaining contract expiring May 31, 1972 with the Hotel, Hospital, Nursing Home and Allied Service Employees Union, Local 144. The Company, which has experienced a minimum of employee turnover, believes that its labor relations are excellent. The Company's employees receive various fringe benefits, including participation in a Profit-Sharing Plan, group life insurance, Blue Cross, surgical-major medical coverage, and paid vacations.

Competition

The Company experiences competition primarily in the area of securing leases for its locations. Although to the knowledge of the Company, no statistics exist with respect to the relative size of companies operating newsstands, the Company believes that it occupies a relatively important position in the operating of news and tobacco shops particularly in new large office buildings in the metropolitan New York City area although there do exist a number of competing companies with greater financial and personal resources than the Company but whose operations stress other types of locations. The Company generally operates the only retail outlet of its kind at each of the buildings in which its shops are

U.S. DIST. COURT
S.D. OF N.Y.
EXHIBIT
MAY 11 '83

located and many of its leases restrict the landlord from renting lobby space to potential competitors. Management has noted a decline in recent years in similar retail outlets located in store fronts in the general areas of its operations, although, of course, there is some competition from drug stores, tobacco shops and street corner newsstands.

MANAGEMENT

The officers and directors of the Company are

Bernard H. Green, age 60, was one of the founders of the Company and its President [illegible] tion in 1945.

Stanley M. Jordan, age 51, has been a director and officer of the Company since [illegible].

Irving Krantz, age 65, has been a partner in the law firm of Krantz, Landau, Lieb & Nostrant since 1948, and was elected a director of the Company on October 15, 1971. Mr. Krantz has been a Director and Treasurer of Front-Line Sweaters, Inc. since March 11, 1946; a Director and Treasurer of Hamilton Converters, Inc. since June 27, 1946; a Director since October 1, 1946 and Treasurer since November 1, 1946 of Hunt-Lyons Stores, Inc.; a Director since February 11, 1970 and Vice President since March 24, 1970 of Mayer & Cie; a Director since November 10, 1969 and Vice President since December [illegible] 1969 of Peg National Corp.; a Director since October 22, 1969 of Mac M. Rothkopf & Co., Inc. and a Director since November 19, 1969 of Transportation Vehicles, Inc.

Remuneration

The following table sets forth information regarding the aggregate direct remuneration of each director and each of the three highest paid officers of the Company whose aggregate remuneration from the Company during the fiscal year ended June 26, 1971 exceeded $30,000, the aggregate remuneration of all officers and directors as a group for such period and information relating to the participation of such persons in the Company's Profit Sharing Plan.

Name	Capacity In Which Remuneration Received	Aggregate Remuneration	Employees' Profit Sharing Plan Contribution 6 28 70-6 26 71	Employees' Profit Sharing Plan Accrued to 6 26 71
Bernard H. Green	President	$ 80,200	$4,010	$19,932
Stanley M. Jordan	Secretary-Treasurer	$ 80,200	$4,010	$19,932
Officers and directors as a group [illegible] persons		[illegible]	[illegible]	[illegible]

The Company has entered into employment agreements with Messrs. Green and Jordan, respectively, for a five-year period which began on June 27, 1971 at an annual salary of $63,200 each. These agreements require the individuals to devote their full time and best efforts to the Company. Each agreement includes a provision prohibiting the individual from competing with the Company for a period of two years after termination of employment.

During the fiscal year ended June 26, 1971 each of these individuals was paid a director's annual fee of $80,200. However, pursuant to the above employment agreement, the Company is now obligated to pay the sum of $63,200 to each of these individuals annually.

Profit Sharing Plan

The Company established a non-contributory Profit Sharing Plan effective June 30, 1962 for the benefit of all employees, including officers. All such employees become eligible on the anniversary date (June 30) coincident with or following commencement of service.

The Plan as amended declares the Company's intention to make contributions to the Trust Fund established in connection therewith in each fiscal year out of the net earnings of the Company in such amount as the Board of Directors shall specify with respect to each such fiscal year. Credits are allocated each employee each year proportionately to his compensation, as defined, and such credits vest at the [illegible] per year. The Plan provides that benefits shall be paid upon death, retirement [illegible]

The Plan is qualified under the Internal Revenue Code of 1954 as amended.

For additional information as to this Plan, see Note 5 of Notes to Financial Statements and "Management-Remuneration."

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth the number of Common Shares of the Company owned by each person who, as of October 15, 1971 owned of record or beneficially more than 10% of the then outstanding Common Shares of the Company and the number of such shares so owned by all officers and directors as a group, the names of the Selling Shareholders, the number of Shares to be sold by them and the number and percentage of the outstanding Common Shares of the Company to be owned before and after such sales.

Name and Address	Type of Ownership	Shares Held as of the Date Hereof	% of Class	Number of Shares Offered For Sale (1)	% of Class Held After Offering
Bernard H. Green ..... 90-10 Merrick Blvd. Jamaica, New York 11432	Record and Beneficial	250,000	50%	50,000	33⅓%
Stanley M. Jordan ..... 90-10 Merrick Blvd. Jamaica, New York 11432	Record and Beneficial	250,000	50%	50,000	33⅓%
Officers and Directors as a group (includes 3 individuals)	Record and Beneficial	500,000	100%	—	—

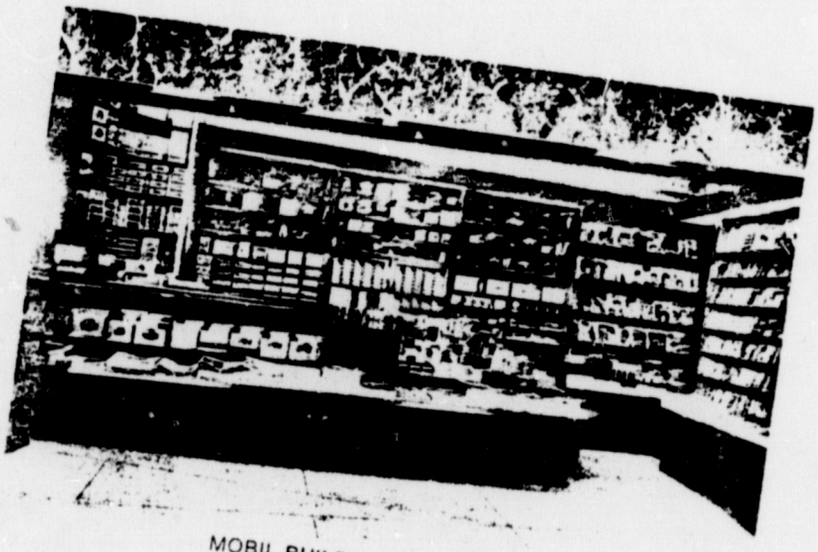
(1) To the extent that less than all of the Shares being offered hereby are sold (assuming that at least 50% of such Shares are sold) the number of Shares to be sold by the Selling Shareholders and by the Company, as described elsewhere in the Prospectus, will be reduced proportionately.

RIGHTS TO PURCHASE COMMON SHARES

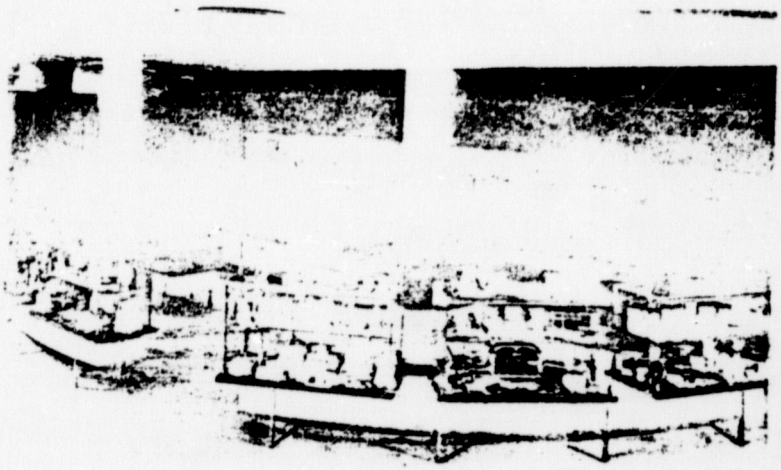
Qualified Stock Option Plan

The Company has adopted a Qualified Stock Option Plan which terminates on October 14, 1976, and has reserved at October 15, 1971, an aggregate of 20,000 Common Shares to cover options granted or to be granted thereunder. All such options are intended to constitute "qualified stock options" as that term is defined in Section 422(b) of the Internal Revenue Code of 1954 as amended. Pursuant to the terms of the Plan, the option price for all options granted under such Plan must be at least 100% of the fair market value of the shares subject thereto on the date of the grant. All options granted or to be granted are or will be exercisable beginning after one year from grant, and thereafter in installments of

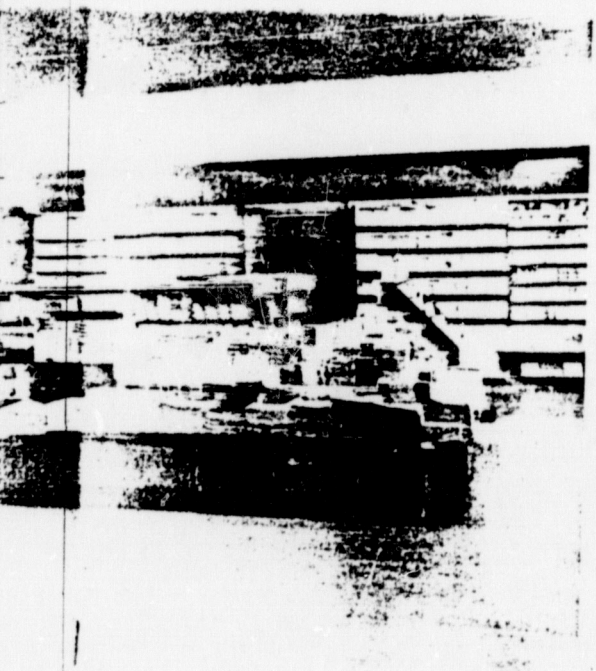
JOHN HANCOCK CENTER—CHICAGO



MOBIL BUILDING—NEW YORK

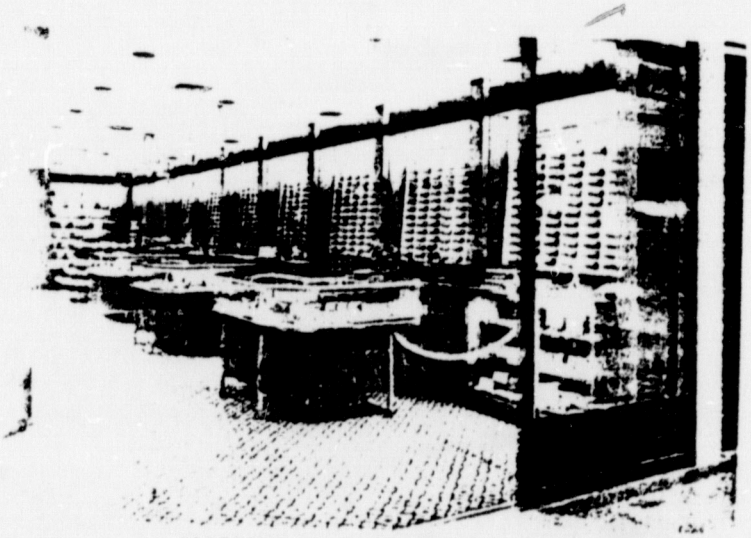


INTERNATIONAL HOTEL—KENNEDY AIRPORT



E, NEW YORK

J. C. PENNY BUILDING—NEW YORK



SMITH HAVEN SHOPPING MALL

event the options remain exercisable for six months thereafter or until the expiration date of the option, whichever is earlier. In no event, however, shall any option be exercisable more than five years from the date of grant. Options may be exercised in whole or in part, and the purchase price of the Common Shares purchased upon exercise of the options shall be payable in full at the time of purchase. Directors, as such, are not eligible to receive options under the Plan. Options are granted by the Board of Directors upon recommendation of the Stock Option Committee which, at present, consists of Messrs. Green and Jordan.

As of October 15, 1971, options were granted to 80 key employees of the Company to purchase an aggregate of 14,000 Common Shares at $5 per share. Such options expire on October 14, 1976.

Warrants

Contingent upon the sale of at least 50% of the Shares being offered hereby, the Company has agreed to sell to the Underwriters at a price of $.01 per Warrant, and at a rate of one Warrant for every 10 Shares sold on behalf of the Company, up to a maximum of 10,000 Warrants to purchase up to 10,000 Common Shares of the Company. The Warrants are non-transferable for a period of one year after the date of their issuance (except that the Warrants may be transferred during that period to employees, stockholders, directors and officers of the Underwriters) and are exercisable in whole or in part beginning one year after issuance and ending three years thereafter at a price of $6.00 per share, or 20% above the public offering price. The price payable upon exercise of the Warrants and the number of Common Shares covered by the Warrants are subject to adjustment in certain events to prevent dilution. The Warrants and the Common Shares issuable upon exercise thereof have been included in the Registration Statement of which this Prospectus is a part but are not being publicly offered at this time. No public offering of the underlying Common Shares will be made until a post-effective amendment to the Registration Statement or a new registration statement has been filed and becomes effective. The Company has agreed that, after the expiration of thirteen months from the date hereof, it will, at its own expense, file one such amendment or one such registration statement at the request of the holders of the Warrants and will include the Common Shares issuable upon exercise of the Warrants therein.

DESCRIPTION OF COMMON SHARES

The Company is authorized to issue 1,000,000 Common Shares, par value $.05 per share. Holders thereof are entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available therefor and, upon liquidation, to share ratably in any distribution to such holders (see "Capitalization—Dividends"). All voting rights are vested in the holders of Common Shares, who are entitled to one vote for each share held. The Common Shares are not redeemable and do not have conversion, pre-emptive or subscription rights.

All Common Shares outstanding are, and the shares to be issued hereunder will upon payment therefor be, fully paid and non-assessable and no personal liability will attach by reason of ownership thereof.

Non-Cumulative Voting

The holders of outstanding Common Shares are entitled to one vote per share with respect to all matters that are required by law to be submitted to shareholders, including the election of directors. Since the Common Shares of the Company do not carry the right to cumulative voting, the holders of more than 50% of the outstanding Common Shares can elect all of the directors if they choose to do so, in which event the holders of the remaining Common Shares cannot elect any directors.

Reports to Shareholders

The Company will furnish its shareholders with annual reports containing financial statements certified by independent certified public accountants. The Company will also furnish to its shareholders quarterly unaudited earnings statements and such other reports that management deems advisable from time to time.

[illegible] and Registrar

[illegible] Chase Manhattan Bank

[illegible] New York, New York.

Shareholders' Liability

The New York Business Corporation law provides in substance that if the shares of a corporation are not listed on a national securities exchange or regularly quoted in an over-the-counter market, the ten largest owners of beneficial interests in its shares may, under certain circumstances, be jointly and severally liable for all debts, wages or salaries due and owing to laborers, servants or employees other than contractors for services performed for the corporation. Each such shareholder who pays more than his pro rata share of any such liability has a statutory right to receive contribution pro rata from the other shareholders who are so liable. The Company has no present intention to seek the listing of its shares on a national securities exchange and is not in a position to state whether or when its Common Shares will be regularly quoted in an over-the-counter market.

UNDERWRITING

The Company and the Selling Shareholders have entered into an Agreement with New York Investing Corporation, New York, New York and Creative Programs Corp., New York, New York pursuant to which the Underwriters have agreed to act as exclusive agents for the Company and the Selling Shareholders to offer to the public, on a "best efforts, 50% or none" basis, the 200,000 Shares being offered hereby, at the public offering price. Although there is no firm commitment on the part of the Underwriters to purchase the Shares offered hereby, the Underwriters are required to use their best efforts to sell such Shares as agents for the Company and the Selling Shareholders and must not sell less than 50% of such shares if any are to be sold.

All moneys collected from subscribers will be deposited in a special account with Chase Manhattan Bank N.A. Unless at least 50% of the Shares being offered are sold within 60 days of the effective date of the Registration Statement of which this Prospectus is a part (or within 120 days if the Company, the Selling Shareholders and the Underwriters agree to extend the offering time), all moneys collected from subscribers will be promptly returned in full and without interest.

Contingent on at least 50% of the Shares being sold, the Underwriting Agreement provides that the Underwriters are to receive a commission of 10% of the public offering price ($.50 per share) with respect to the Shares for which purchasers are found by it as agents for the Company and the Selling Shareholders. The Company will also pay the Underwriters out of the proceeds of the issue and as reimbursement for expenses of the Underwriters, on a non-accountable basis, 2% of the aggregate public offering price of the Shares that are actually sold by the Company and by the Selling Shareholders. In addition, the Company will sell to the Underwriters, at a price of $.01 per Warrant and at a rate of one Warrant for every 10 Shares sold on behalf of the Company, up to a maximum of 10,000 Warrants to purchase up to 10,000 Common Shares of the Company (see "Rights to Purchase Common Shares —Warrants"). The Underwriting Agreement also contains reciprocal covenants by the Company, the Selling Shareholders and the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and grants to the Underwriters for five years the right of first refusal to arrange

for the placement, either publicly or privately, of securities issued by the Company having equity characteristics.

The Underwriters propose to offer, as agents of the Company and the Selling Shareholders, certain of the shares for sale to dealers who are members of the National Association of Securities Dealers, [illegible]

[illegible] of this Prospectus, participated in the underwriting of securities for sale to the public, although its principals were associated with a New York Stock Exchange member firm which managed [illegible] in many underwritings over a ten year period. Creative Programs Corp. was organized in June, 1965. It is primarily a dealer in mutual fund shares and has had limited experience in the underwriting of securities to the public, having participated as a member of the underwriting group in a limited number of offerings of mutual fund shares. Messrs. Green and Jordan, the principals of the Company, own about 2% of the outstanding shares of Common Stock of Creative Programs Corp. which were acquired by them at various times between 1966 and 1969.

The foregoing is a brief summary of the provisions of the Underwriting Agreement; it does not purport to be a complete statement of the terms and conditions of such agreement, a copy of which is filed as an Exhibit to the Registration Statement, of which this Prospectus is a part. Reference is hereby made to said Exhibit for its complete terms.

LEGAL OPINIONS

The legality of the shares offered hereby will be passed upon for the Company and Selling Shareholders by Messrs. Booth & Baron, 122 East 42nd Street, New York, N. Y. 10017 and Samuel Kaufman, Esq., 1501 Broadway, New York, N. Y. 10036; and for the Underwriters by Messrs. Shereff, Friedman, Hoffman & Goodman, 919 Third Avenue, New York, N. Y. 10022.

Mr. Kaufman is Assistant Secretary of the Company and has been granted a Qualified Stock Option for 500 Common Shares at $5 per share. He devotes a portion of his time to the affairs of the Company and receives a salary at the rate of $6,000 per year.

EXPERTS

The financial statements and schedule and the related notes, which are included in this Prospectus and elsewhere in the Registrant Statement have been examined by Margolin, Winer & Evens, independent certified public accountants and have been so included in the Prospectus in reliance upon the accompanying reports of said firm and in reliance upon said firm's authority as experts in auditing and accounting.

FURTHER INFORMATION

The Company has filed with the Securities and Exchange Commission, Washington, D.C., a Registration Statement and amendments thereto under the Securities Act of 1933, as amended, with respect to the securities offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement, amendments and the Exhibits and Schedules relating thereto. For further information with respect to the Company and the securities offered by this Prospectus, reference is made to the Registration Statement and the Exhibits and Schedules filed as part thereof.

Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete and in each instance reference is hereby made to the copy of such contract or other document filed as an Exhibit to the Registration Statement for a full statement of the provisions thereof and each such statement in this Prospectus is qualified in all respects by such reference.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS
EASTERN NEWSSTAND CORPORATION

We have examined the balance sheet of Eastern Newsstand Corporation as of June 25, 1971 and the related statement of income for the five years then ended, and the statement of shareholders' equity and [illegible]

In our opinion, the accompanying financial statements present fairly the financial position of Eastern Newsstand Corporation as of June 25, 1971, and the results of its operations for the five years then ended and the source and application of funds for the three years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

MARGOLIN, WINER & EVENS

Garden City, New York
September 23, 1971

BALANCE SHEET

	June [illegible]	September [illegible]
CURRENT ASSETS		
Cash	$ [illegible]	[illegible]
Merchandise Inventories (Note 1)	[illegible]	[illegible]
Receivables from Suppliers, Employees and Others	[illegible]	[illegible]
Prepaid Expenses	34,465	31,[illegible]
TOTAL CURRENT ASSETS	$1,120,850	$1,135,927
INVESTMENT AND OTHER ASSETS		
Investment—at cost (Note 2)	$ 21,000	$ 21,[illegible]
Deposits	27,900	23,[illegible]
Cash Value of Life Insurance	10,216	10,216
	$ 59,116	$ 55,[illegible]
FURNITURE, FIXTURES AND IMPROVEMENTS—AT COST (Note 3)		
Furniture and Fixtures	$1,417,770	$1,472,830
Leasehold Costs and Improvements	46,621	101,[illegible]
	$1,464,391	$1,574,477
Less: Accumulated Depreciation and Amortization	705,255	736,[illegible]
	$ 759,136	$ 838,409
TOTAL ASSETS	$1,939,102	$2,029,452

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Notes Payable—Bank (Note 4)	—	$ [illegible]
Accounts Payable	$ 243,[illegible]	[illegible]
Accrued Liabilities:		
Taxes, Other Than Income Taxes	61,275	63,[illegible]
Profit Sharing Plan Contribution (Note 5)	40,265	11,[illegible]
Other Accrued Expenses	12,467	11,[illegible]
Income Taxes	64,976	69,455
TOTAL CURRENT LIABILITIES	$ 422,602	$ 502,[illegible]
LONG TERM DEBT (Note 6)	$ 50,000	$ —
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)		
SHAREHOLDERS' EQUITY		
Common Shares; $0.05 Par Value; Authorized 1,000,000 shares; Issued and Outstanding 500,000 shares	$ 25,000	$ 25,[illegible]
Capital Surplus	24,000	24,[illegible]
Retained Earnings	1,417,500	1,477,[illegible]
	$1,466,500	$1,526,[illegible]
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,939,102	$2,029,452

See accompanying notes to financial statements.

STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE THREE YEARS ENDED JUNE 26, 1971

unaudited as to thirteen weeks ended September 25, 1971

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings
Balances, June 30, 1968	200	$37,000	$12,000	$ 489,154
Net Income for the Year Ended June 28, 1969	—	—	—	303,000
Balances, June 28, 1969	200	$37,000	$12,000	$ 792,154
Balances, June 29, 1969	200	$37,000	$12,000	$ 792,154
Net Income for the Year Ended June 27, 1970	—	—	—	303,026
Balances, June 27, 1970	200	$37,000	$12,000	$1,095,180
Balances, June 28, 1970	200	$37,000	$12,000	$1,095,180
Net Income for the Year Ended June 26, 1971	—	—	—	322,320
Recapitalization:				
Change of 200 no par value shares into 500,000 $0.05 par value shares	500,000	(12,000)	12,000	—
Balances, June 26, 1971	500,000	$25,000	$24,000	$1,417,500
Balances, June 27, 1971	500,000	$25,000	$24,000	$1,417,500
Net Income for the Thirteen Week Period Ended September 25, 1971	—	—	—	60,158
Balances, September 25, 1971	500,000	$25,000	$24,000	$1,477,658

See accompanying notes to financial statements.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	[illegible] 1969	[illegible] 1970	[illegible] 1971	[illegible] 1972 (Unaudited)
SOURCE OF FUNDS				
From Operations:				
Net Income	$261,509	$303,[illegible]26	$322,320	$ [illegible]69,158
Add—Expenses Not Requiring Outlay of Funds:				
Depreciation and Amortization	92,301	115,489	139,109	30,813
Deferred Interest	5,400	4,750	250	—
Funds Derived from Operations	$359,210	$423,265	$461,679	$ 99,971
Collection of Long Term Receivable	—	3,520	3,201	—
Net Book Value of Assets Sold	9,581	—	—	—
TOTAL FUNDS PROVIDED	$368,791	$426,785	$464,880	$ 99,971
APPLICATION OF FUNDS				
Expenditures for Fixtures:				
New Locations	$170,235	$176,482	$144,547	$105,933
Existing Locations	23,984	124,187	31,710	4,153
Increase (Decrease) in Other Assets	47,201	(44,542)	20,132	(4,000)
Increase in Long Term Receivable	6,721	—	—	—
Investment (Minority Interest)	—	—	21,000	—
Reduction in Long Term Debt	46,667	2,333	—	50,000
TOTAL FUNDS APPLIED	$294,808	$258,460	$217,389	$156,086
INCREASE (DECREASE) IN WORKING CAPITAL	$ 73,983	$168,325	$247,491	($ 65,115)

STATEMENT OF CHANGES IN WORKING CAPITAL

INCREASE (DECREASE) IN CURRENT ASSETS				
Cash	$ 80,516	($117,983)	$ 26,487)	($ 41,890)
Merchandise Inventories	97,888	137,191	154,967	51,412
Receivables from Suppliers, Employees and Others	9,616	7,851	2,759	8,324
Prepaid Expenses	30,305	179	2,888)	(2,769)
TOTAL INCREASE IN CURRENT ASSETS	$218,325	$ 27,199	$128,351	$ 15,077
INCREASE (DECREASE) IN CURRENT LIABILITIES				
Accounts Payable	$ 43,535	$ 3,122	$ 31,442)	($ 5,750)
Taxes Other Than Income Taxes	(11,244)	33,067	6,818	1,725
Profit Sharing Plan Contribution	10,768	9,398	6,159	(29,265)
Other Accrued Expenses	1,133	(7,466)	8,646)	(907)
Income Taxes	103,883	(134,914)	89,696)	4,479
Notes Payable—Bank	(3,733)	(44,333)	2,333)	110,000
TOTAL INCREASE (DECREASE) IN CURRENT LIABILITIES	$144,342	($141,126)	$119,140)	$ 80,192
INCREASE (DECREASE) IN WORKING CAPITAL	$ 73,983	$168,325	$247,491	($ 65,115)

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7—COMMITMENTS AND [illegible]

[illegible] minimum. Expiration dates vary through 1985.

NOTE 8—RECAPITALIZATION

The Company intends to amend its Certificate of Incorporation so that the authorized capital stock will be changed to 1,000,000 Common Shares, par value $0.05 per share.

The 200 shares of common stock, no par value, presently outstanding will be changed into 500,000 newly authorized common shares. This transaction will result in the transfer of $12,000 from the common stock account to the capital surplus account, and will be given retroactive effect in the accompanying balance sheets.

NOTE 9—STOCK OPTIONS

On October 15, 1971 the Company adopted a qualified stock option plan, which authorizes the granting of options to key employees for the purchase of up to 20,000 Common Shares. The option price per Share may not be less than 100% of the fair market value of the shares on the date of grant.

NOTE 10—WARRANTS

Attention is directed to "Underwriting" and "Rights to Purchase Common Shares—Warrants" elsewhere in this Prospectus with respect to warrants to be issued to the underwriters.

NOTE 11—EMPLOYMENT CONTRACTS

The Company has entered into five year employment contracts with the two shareholder-officers commencing with the fiscal year beginning June 27, 1971. Terms of the contracts provide for annual compensation of $63,200 for each officer.

NOTE 12—SUPPLEMENTARY PROFIT AND LOSS INFORMATION

Charged to selling and administrative expense:

	Fiscal Years Ended			Thirteen Weeks Ended
	June 28, 1969	June 27, 1970	June 26, 1971	September 25, 1971
Maintenance and Repairs	$ 4,813	$ 4,923	$ 8,459	$ 1,399
Taxes Other Than Income Taxes:				
Payroll	$57,413	$ 73,173	$ 90,894	$21,520
New York City Rent and Occupancy	29,312	36,391	58,004	16,171
Other	1,038	5,629	3,761	501
Total	$87,763	$115,193	$152,659	$38,192

There were no charges for royalties or management and service contract fees.

THE AMERICAN NEWS COMPANY · ANNUAL REPORT · 1962

DIVERSIFICATION FOR GROWTH

ANNUAL MEETING—The Annual Meeting of Stockholders will be held on Wednesday, March 27, 1963, at 11 A.M. at The American News Company offices at 131 Varick Street, New York City.

Directors and Officers

Directors

ANDREW J. CROTTY, JR., *President, Crotty Brothers, Inc.*

LEO F. DALEY, *Partner of Harris, Upham & Company*

OSCAR A. DOOB, *Public Relations Consultant*

HERBERT FRILEN, *Executive Vice President*

HENRY GARFINKLE, *President*

MALCOLM KINGSBERG, *Management Consultant*

CHARLES F. MC KHANN, M.D., *Chairman of the Board and of the Executive Committee, Chemway Corporation*

ALLAN MOLASKY, *Vice President, Pierce News Company*

MAXWELL M. RABB, *Partner, Stroock & Stroock & Lavan, Attorneys*

SERGE SEMENENKO, *Vice Chairman and Director The First National Bank of Boston*

MORRIS STRASSMAN, *Executive Vice President*

EDWIN L. WEISL, *Partner, Simpson Thacher & Bartlett, Attorneys*

Officers

HENRY GARFINKLE, *President*

HERBERT FRILEN, *Executive Vice President*

MORRIS STRASSMAN, *Executive Vice President*

NAT KELLERMAN, *Vice President*

JOHN A. MURPHY, *Vice President*

S. J. VAN BRUNT, *Vice President*

WILLIAM J. BLISS, *Secretary & General Attorney*

MICHAEL J. KILFEATHER, *Treasurer*

JOSEPH M. CHRISTIE, *Asst. Vice President*

ROBERT C. DENNIS, *Asst. Vice President*

RALPH FLORIA, *Asst. Vice President*

WILLIAM A. MC COLLOUGH, *Asst. Vice President*

Financial Highlights

	1962	1961
Net sales	$131,647,549	$126,225,454
Net income	1,077,828	2,050,883
Per share	.71	1.29
Dividends paid	1,558,042	1,589,230
Per share	1.00	1.00
Working capital	11,752,611	9,607,502
Stockholders' equity	26,877,626	29,305,917
Equity per share	17.59	18.43

President's Letter

HENRY GARFINKLE, *President*

To the Stockholders of The American News Company:

Although the net sales of your Company and its subsidiaries rose to $131,647,549 in 1962 from $126,225,454 in 1961, net income declined to 71¢ per share from $1.29 per share in 1961. There were many factors during the year which affected the earnings of the Company. In 1962, an adverse ruling was received from the Federal Trade Commission. The history of this case goes back to 1959 when the Commission issued complaints against your Company and a number of publishers whose magazines were being sold on our newsstands. The complaints alleged the payment by publishers and the receipt by your Company of unlawful promotional allowances which were claimed not to have been offered on proportionately equal terms to our competitors. As a result of decrees to which publishers consented, late in 1961 and early in 1962 payments of such allowances to your Company were discontinued. The result was that during 1962 we did not receive promotional payments comparable to prior years. The amounts involved were substantial and net income for the year 1962 was badly affected. Many of the publishers, however, have worked out plans providing for resumption of payments. It is believed that such plans will be acceptable to the Federal Trade Commission. Accordingly, your management is hopeful that the future resumption of a substantial portion of the payments which were discontinued in 1962 will favorably affect future earnings.

Other factors during the year also affected the earnings of the Company. Like other restaurateurs, the Company felt the effects of the New York newspaper strike, particularly in the traditionally good month of December. To a lesser extent, the Cleveland newspaper strike also affected us.

In addition, there were substantial non-recurring items charged against income in 1962.

During 1962, in the hard cover book business an unusual

situation occurred when there were no outstanding "best sellers". The profits of our book business depend in great measure on the best sellers and it was unfortunate that such a condition existed in an already soft market.

Over-production of book matches was prevalent in the match industry, with the result that the prices of regular book matches were the lowest in many years. In order to meet competition we were forced to sell matches at prices which were close to cost. We have tried to increase our sales in the "advertising specialty" matches to make up for loss in profits in the regular book matches, caused by depressed market prices.

Although 1962 has been a disappointing year from the viewpoint of earnings, it has not been a disappointing year from other viewpoints. The American News Company in the past seven years has grown determinedly at an accelerated rate and has diversified its services. The year 1962 has also been one of growth and development, re-evaluation and changes and the continuation of the progress of prior years.

With our background of solid pioneering years of services to the travelling public, we have concentrated our resources to protect our position in the concessionaire industry. Specifically, airport and vending machine operations received much emphasis. Major new facilities in every part of the country were opened. Your Management, alert to the future profit potential in these fields, has made substantial investments in fixtures and equipment. Due to heavy expense entailed in training personnel and initial operating and start-up costs, some of our airport and vending operations have not yet produced the desired income.

However, to maintain our strong competitive position, our investments in these new operations were made not only with the thought of profit in the immediate future but also for long range benefits. The investments being made in airport and vending operations are the cornerstones of our principal sources of income five or ten years from today.

So, while many factors have placed a heavy strain upon our resources, constant reevaluation of our operations and tenacious insistence upon a broad and solid foundation of this business will remain the intent and direction of your Company.

Your Management looks forward with confidence to 1963 when it is anticipated that the long term planning will begin to bear fruit.

Respectfully submitted,

President

March 6, 1963

The American News Company 1864/1962

We note briefly, and with justifiable pride, that the Centennial of The American News Company draws exceedingly close.

Born in 1864, a year in which the United States was engaged in Civil War combat, the company has grown and expanded.

It has earned distinction not only for its achievements and its longevity on the American business scene, but also for its unique record of continuous quarterly dividend payments for a longer period than any other company listed on the New York Stock Exchange.

We look forward to the coming years with a sense of dedication and challenge.

Food Services

The American News Company through its Savarin and Union News services has grown and increased its stature even further in the provision of food and related services in the transportation field with important new operations in airports.

Airport Facilities Added in 1962

■ Pictured on the opposite page is a part of the new Savarin restaurant installation in the Trans World Airlines' Flight Center at Idlewild International Airport on Long Island, New York. Opened in 1962, this installation includes the "Lisbon Lounge" Restaurant, "Paris Cafe," and "London Club," all beautifully appointed. In addition at Idlewild, the Company operates the food and beverage facilities in the United Air Lines Building. It also began the "in-flight" feeding for departing flights of Northwest Airlines.

■ American News opened the initial phases of the food and beverage services within the new terminal building at Dulles International Airport, near Washington, D. C. Dedicated by President Kennedy, this is probably the most significant airport development throughout the Free World. The huge centralized terminal building of ultra-modern design includes an elaborate restaurant and a variety of refreshment services to incoming and outgoing passengers. The Nation's Capital not only attracts visiting dignitaries from many countries abroad, but millions of tourists.

■ In the Midwest, in the fast growing Minneapolis-St. Paul area, the Company opened the "Les Voyageurs" restaurant and other services at the International Airport. An Honor Award, for Outstanding Institutions Interiors, was presented to The American News Company by INSTITUTIONS MAGAZINE last fall.

■ The concession for Albany Airport, adjoining the Capital City of the State of New York, also was opened in 1962 —featured is an attractive dining room, supplemented with a modern cocktail lounge and coffee shop.

■ On the Pacific Coast, at Oakland, California, new airport facilities were put into operation, with your Company operating the plush "Tower Lounge" on the seventh floor of the Control Tower, where a magnificent view of San Francisco Bay is provided. In addition to the dining room, a Gift Shop and coffee shop are provided.

Additional Meal Service Facilities

Ever-changing Manhattan Island provided further opportunities for expansion for the Company's distinctive restaurants:

"George's Restaurant," located in the heart of New York's financial district at 80 Broad Street, was acquired during 1962. This features the renowned "Athenian Room" for executive dining, plus a cocktail bar and cafeteria.

Our "Farmstead Restaurant" in the famed Empire State Building, Fifth Avenue at 34th Street, was enlarged and refurnished to provide for the increased attendance.

The first opportunity to share in the Motel expansion in New York City was at the new Motel City where coffee shop services are being provided.

Bowling alleys also provide an area for both light-meal and refreshment facilities, plus cocktail lounges. American News has been providing both restaurant and vending machine facilities at the Yonkers Lanes, Yonkers, N. Y. and other installations in the nation.

Since the acquisition of Crotty Brothers Inc., the full potential of Crotty's diversified skills in food service management has been blended efficiently with the experience and heritage of the American News Company services.

For hospitals, schools, colleges, offices and industrial plants, a complete and flexible program can be engineered to the individual food service need of any organization.

The diversified growth of the company has been added to substantially during 1962. Embraced in these over-all operations are quality restaurants such as the group in Rockefeller Center: catering services for business organizations and major airlines; turnpike restaurants; and facilities for bus and railroad terminals.

Nation-wide, more than twelve-hundred outlets provide the services of newsstands, tobacco shops, gift shops, book shops, drug stores, and sports center concessions.

The Lisbon Lounge, Trans-World Airline Flight Center, Idlewild.

Automated Food Service Through Vending Machines

Anticipating a broad expansion in the demand for coin-operated vending machines where people live, work, travel and seek amusement, sports, recreation and entertainment, ANCO Vending has been increasing its share in this automated era. The vast improvement in the variety and efficiency of newer machines, particularly for the serving of hot-meal platters which results in both appetizing and palatable main courses, will inspire renewed interest in vending machines.

Ventures in Vending

1961—Entry into the expanding New England area was implemented by two major acquisitions with vending machine operations in Maine and New Hampshire, plus Indiana.

1962—Further expansion in the Midwest was effected through the acquisition of Variety Vending Co. of Eau Claire, Wisconsin.

In Addition: Entry into the military field of automatic vending was strengthened by catering contracts at Fort Hay on Governor's Island in New York Bay. Pease Air Force Base, Newington, N. H.; and Portsmouth Navy Yard, Kittering, Me. operations were begun the year previous. Other vending machine installations made during 1962 included the Herald-Traveler (newspaper), Boston, Mass.; Gimbels Department Store, New York; and General Electric Co., Ordinance Division, Pittsfield, Mass. At G. E. banks of vending equipment offering both hot and cold food are installed at centrally located "Vending Batteries" strategically located throughout the Ordinance Department facility. Thousands of employees are fed daily and twenty-four hour service is provided where needed.

Big Advantage in Machine Vending

The American News Company manufactures *no* vending machines, and thus is neither limited nor restricted to the purchase of any type of equipment. Thus, it is in the prime position of being able to buy the newest and most efficient machines. This advantage enables American News to continually improve the quality and variety of its diversified services.

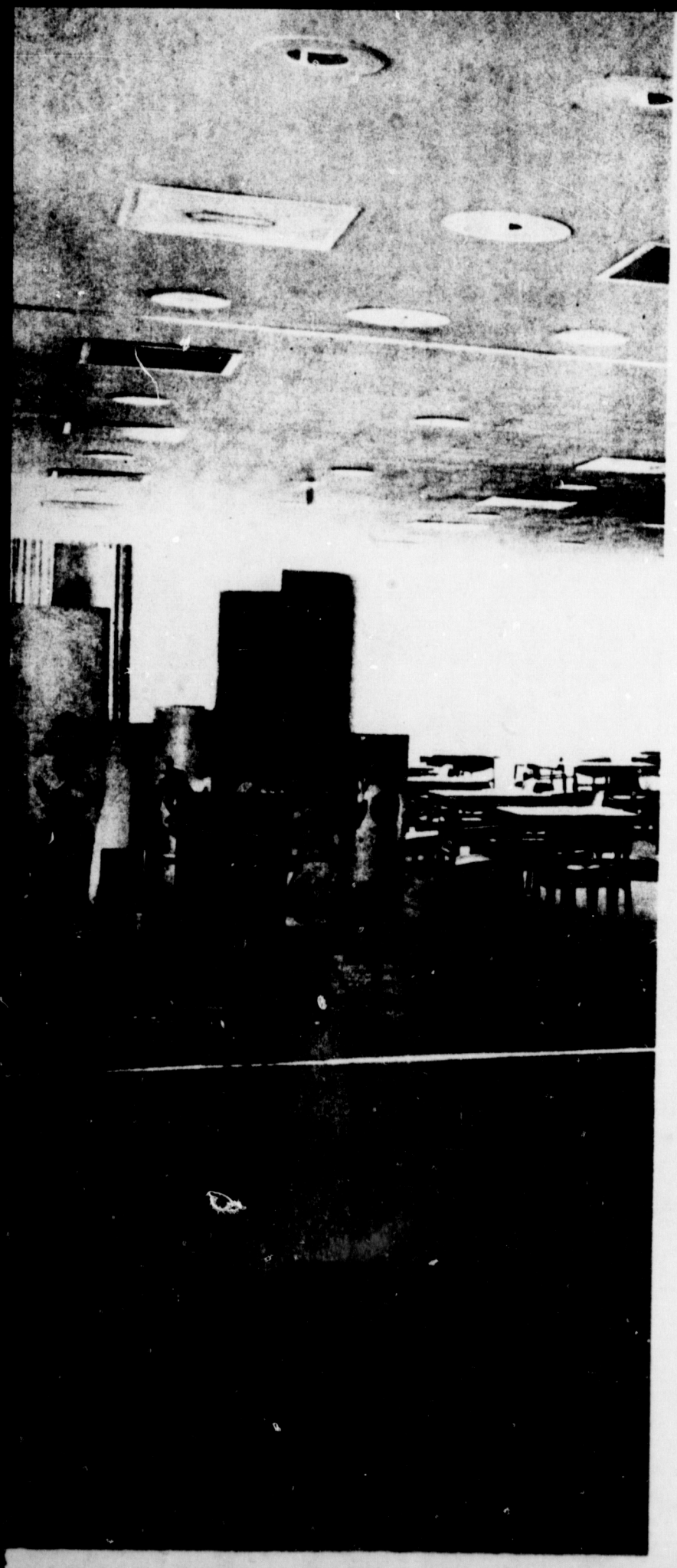
Round-the-Clock Vending

A great many industrial plants in the United States operate on two- or three-shifts per day, requiring the feeding of workers morning, noon and night, plus frequent coffee-break service.

Where it is not economical for managements to maintain manually-operated feeding facilities, the experienced vending machine concessionaire can provide 24-hour service.

Vending Machine Menu Expanded

From the early days of pork-and-beans and chicken a la king, these coin-operated machines are now providing Cornish Hen, Bay Scallops, plus a selection of seafoods among other items. In addition, desserts range from many flavors of ice cream to seasonal pies, pastries and layer cakes.



The award winning Minneapolis-St. Paul Les Voyageurs airport restaurant has a decor contemporary in mood yet steeped in the traditions of its locale.

Books and Publications

The distribution of books, publications, stationery, and advertising specialties entailed further progress in 1962 through a unique nationwide network of branches.

Retail Outlets for Books

The distribution of hard-cover books has been extended to department stores and variety chains, including many of the Sears, Roebuck retail stores and several chains of department stores. The inauguration of a stock-consignment arrangement with two major book publishers in 1961 has proved successful and assured the availability of basic stock titles and popular new titles through American News and branches throughout the Nation.

Magazine Subscriptions

Long established as one of the largest clearing houses for magazine subscriptions in the World, the American News Subscription Department continues to enjoy a healthy volume.

Schools and libraries feel the effect of America's upsurge in reading interest. Many rely on American News services.

The tangible retail results of American News Book distribution is seen at a Sears-Roebuck store.

At the vast facilities in New York City and in 26 branches across the country, book distribution is efficiently handled.

American Match Division

Among the growing subsidiaries of American News is the American Match Company, which specializes in the production of book matches, individually imprinted for use as advertising media. During 1962 new manufacturing machinery was installed to replace antiquated equipment, with the result that over-all production has been expanded on a more efficient basis.

Specialty Matches

Plans for 1963 include the expansion of the Specialty Match Division with the objective of substantially increasing its share of the available business. Sales staff has been increased, and more business is expected through the stimulation of the branch systems. The recent reduction of the minimum quantity for orders of Special Reproduction Book Matches has proved to be a dominating factor in creating new demand among smaller buyers, such as tobacco shops, restaurants, supermarkets, and cocktail lounges.

Art and the Matchbook Cover

The addition of new photographic and reproduction equipment to the Art Department of our American Match subsidiary has increased the variety of patterns and effects on Matchbook Covers. More buyers also are utilizing the inside of the covers for additional messages and coupons than ever before in the history of this Division.

Giant national corporations as well as smaller businesses find the American Match Company completely geared to their match advertising needs.

Advertising Specialties

Specialties for Advertisers

Novelties and gift items distributed by industrial corporations to their customers and prospects continue in high demand, due in part to the new and timely items that are frequently added to the lines of our Advertising Specialties Department. The catalogues now list hundreds of "reminders" ranging in price from one cent to $500, and there has been and will likely continue to be a broadening demand for "ad" specialties in the "bread and butter" volume variety. This Department now has a substantial group of sales agents in almost every State of the Union.

Many national organizations are looking to the facilities of the Advertising Specialty Division to aid them in their programs for greater product identification and sales stimulation.

School Supplies

The Stationery Department, which long has been a factor in commercial stationery, including binders, staples, and office supplies, has enjoyed increasing markets for its diversified lines in schools, colleges and other educational institutions throughout the Nation. The increasing numbers of students of all ages is the controlling factor, but in view of the expanding population and the construction of new and better schools the outlook for further increases in demand appears certain.

Advertising Specialties form an important segment of merchandising and promotional needs.

Consolidated Statement of Financial Position

ASSETS:

	1962	1961
Cash (Note 1)	$ 6,303,109	$ 6,300,279
Receivables	10,283,699	11,115,810
Inventories, at the lower of cost or market	12,385,741	12,604,685
Total current assets	28,972,549	30,020,774
Fixed assets, at cost:		
Land and buildings (Note 2)	5,749,078	5,758,359
Furniture, fixtures and equipment	23,922,727	21,093,995
Automobiles	332,270	307,016
	30,004,075	27,159,370
Less, Accumulated depreciation	11,740,913	10,691,445
Total fixed assets	18,263,162	16,467,925
Deferred charges and other assets	2,861,853	3,230,490
Contingent asset (Note 4)		
	$50,097,564	$49,719,189

THE AMERICAN NEWS COMPANY and subsidiaries

CEMBER 28, 1962 AND DECEMBER 29, 1961

LIABILITIES:

	1962	1961 (Note 3)
Accounts payable and accrued expenses	$13,553,178	$13,023,597
Notes payable (Note 2)	2,620,000	5,720,000
Federal taxes on income	572,101	1,295,801
Deferred credits, etc.	474,659	373,874
Total current liabilities	17,219,938	20,413,272
Note payable bank—4½ % due January 28, 1964	6,000,000	
Contingent liabilities (Note 5)		

CAPITAL:

Capital stock, no par value (Note 6):		
Authorized, 2,000,000 shares;		
Issued 1,728,000 shares	10,800,000	10,800,000
Earned surplus	19,986,112	20,466,326
	30,786,112	31,266,326
Less, Treasury stock at cost, 200,370 shares at December 28, 1962 and 138,270 shares at December 29, 1961	3,908,486	1,960,409
Total capital	26,877,626	29,305,917
	$50,097,564	$49,719,189

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Income and Earned Surplus

FOR THE YEARS ENDED DECEMBER 28, 1962 AND DECEMBER 29, 1961

	1962	1961 (Note 3)
Net sales	$131,647,549	$126,225,454
Cost of sales	70,035,883	68,007,574
Gross profit	61,611,666	58,217,880
Operating expense	60,384,052	54,557,943
Operating profit	1,227,614	3,659,937
Miscellaneous income (net)	360,214	435,831
Income before prior years' adjustments	1,587,828	4,095,768
Prior years' adjustments, less related federal taxes on income	—	201,885*
Income before provision for federal taxes on income	1,587,828	3,893,883
Provision for federal taxes on income (Note 7)	510,000	1,843,000
Net income for the year	1,077,828	2,050,883
Earned surplus, beginning of year	20,466,326	20,004,673
	21,544,154	22,055,556
Cash dividends ($1.00 per share)	1,558,042	1,589,230
Earned surplus, end of year	$ 19,986,112	$ 20,466,326
Depreciation and amortization included in cost of sales and operating expense	$ 1,933,192	$ 1,694,421

*Deduction

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1 In connection with the contingent liability discussed in sub-paragraph (b) of Note 5, one of the Company's depositaries has segregated $338,510 in a trust account pending settlement of the litigation.

2 Notes payable include $820,000 collateralized by a mortgage on property at the Company's main office, carried at a cost of $1,824,610.

3 In the Company's financial statements previously reported for 1961, net income was overstated in the amount of $116,003 (7¢ per share), with a corresponding understatement of liabilities. The accompanying financial statements for 1961 have been amended to correct these misstatements.

4 The Company has made application to the Internal Revenue Service for permission to recover the amount of overprovision in its pension fund which arose prior to 1961. As of December 28, 1962 such overprovision has been actuarily estimated at $1,100,000 ($528,000 after related federal income taxes). The possible recovery has not been reflected in the financial statements.

Notes Continued

5 A substantial portion of the operations is conducted under lease and concession agreements providing for rental payments based on several methods of computation. Under leases expiring after 1965, which have an average life of 6½ years from December 28, 1962, the aggregate rentals for 1962 were approximately $4,226,000.

The Company may be liable for additional rents, for which no provision has been made in the accompanying financial statements, as follows:

(a) As the result of an action instituted by a lessor, a decision was entered against the Company on July 23, 1962 determining that additional rents are due from September 1, 1959. In the opinion of the Company and its counsel, the decision is erroneous. The Company will appeal and in the opinion of counsel should prevail.

(b) A lessor has instituted suit for additional rents since July, 1959. The Company has petitioned for a declaratory judgment to limit its obligation, pursuant to an adjustment clause in the lease, to the amounts it has paid or accrued. In the opinion of counsel the Company's position should be sustained.

In the event of adverse decisions in both cases, consolidated net income would be reduced as follows:

	(a)	*(b)*	*Total*
1962	$221,469	$ 37,490	$258,959
1961	224,174	39,165	263,339
Years prior to 1961	283,951	50,610	334,561
Totals . . .	$729,594	$127,265	$856,859

6 During 1962, options to purchase 400 shares of capital stock were exercised at $20.90 per share. Options for 72,300 shares were outstanding at December 28, 1962, 70,000 at $14.01¼ per share, 1,400 at $20.90 per share and 900 at $28.50 per share. The option prices represent 95 per cent of the fair market value at dates of grant. In addition, 500 shares were reserved for further options at December 28, 1962 and December 29, 1961.

7 Provisions for federal taxes on income have been reduced by $88,000 and $54,000 in 1962 and 1961, respectively, resulting from the application of losses carried forward.

Auditors' Report

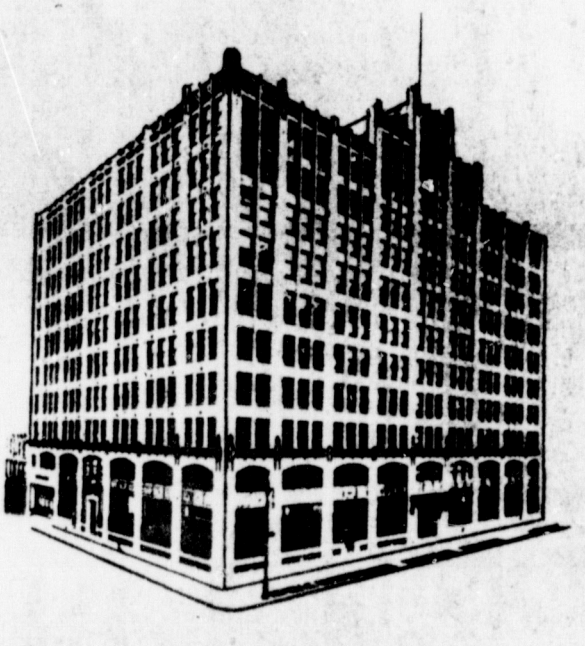
To the Board of Directors and Stockholders
of The American News Company:

We have examined the consolidated statement of financial position of THE AMERICAN NEWS COMPANY and subsidiaries as of December 28, 1962 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the year ended December 29, 1961, which have been restated as explained in Note 3 to the financial statements.

In our opinion, subject to the effect of the outcome of the contingencies discussed in Notes 4 and 5 to the financial statements, the accompanying statements present fairly the consolidated financial position of The American News Company and its subsidiaries at December 28, 1962 and December 29, 1961, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

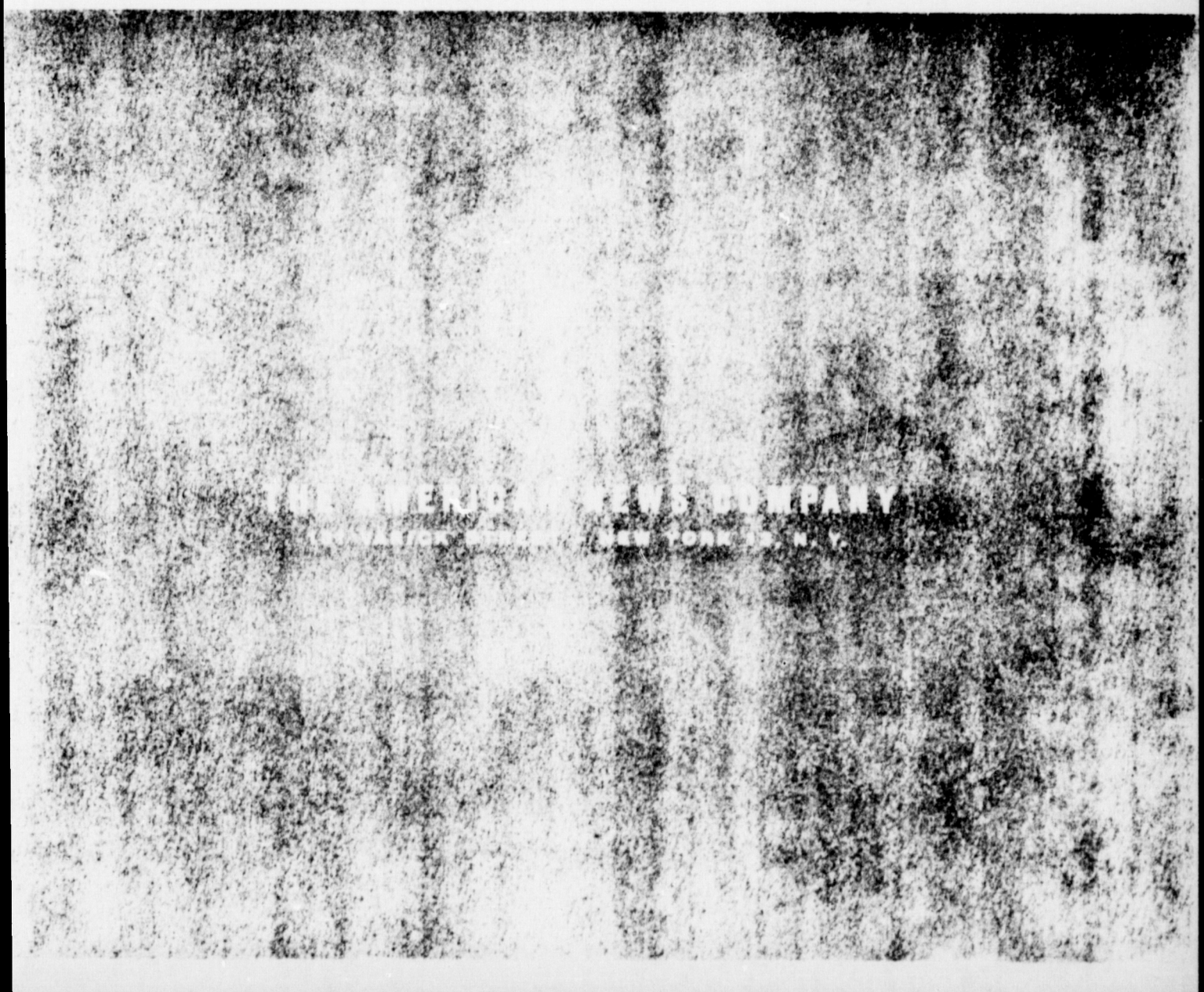
LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 6, 1963

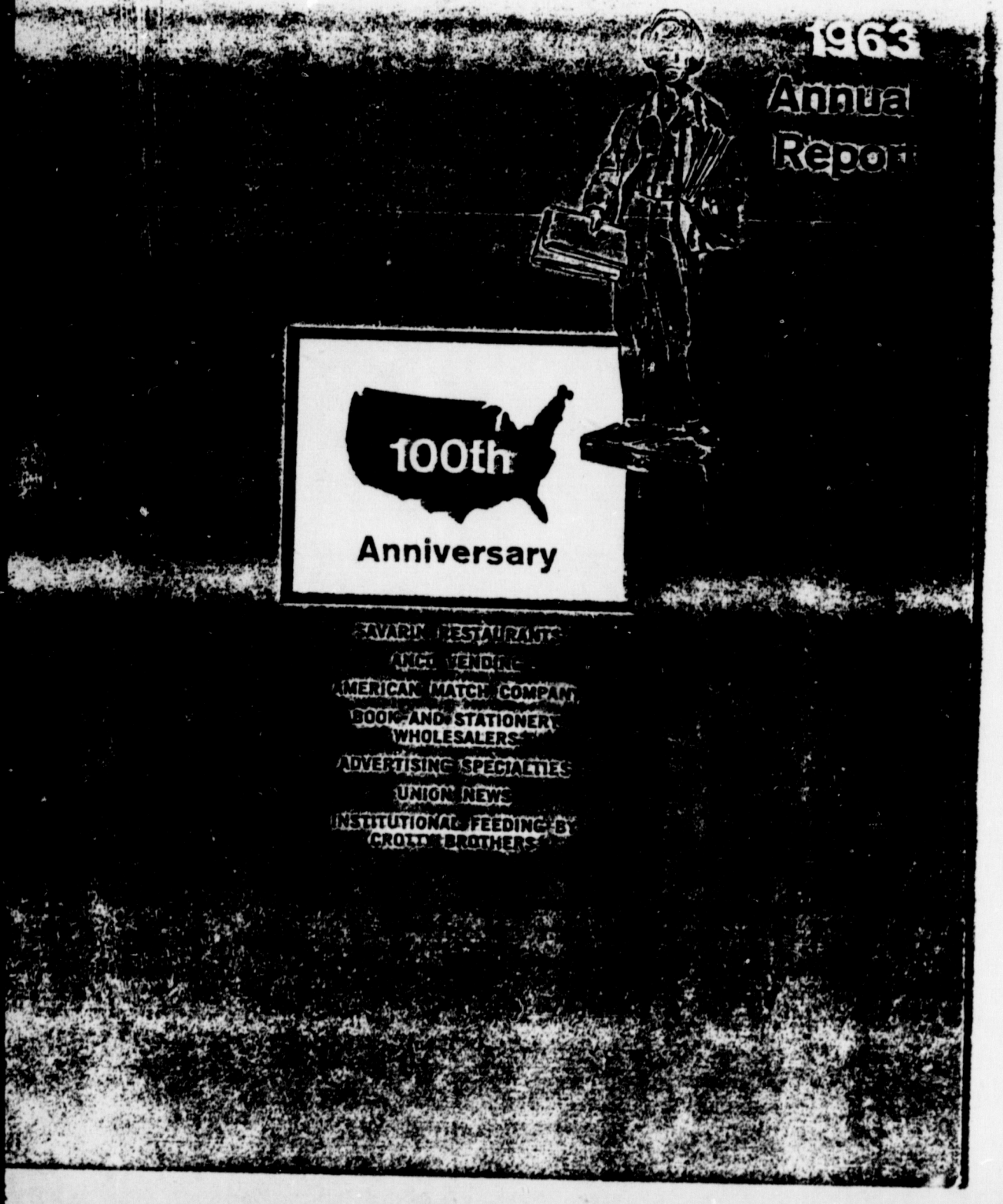


Home Office
New York City

The American News Company



The American News Company



THE AMERICAN NEWS COMPANY

Directors

ANDREW J. CROTTY, JR., *President, Crotty Brothers, Inc.*
LEO F. DALEY, *Partner of Harris, Upham & Company*
OSCAR A. DOOB, *Public Relations Consultant*
HERBERT FRILEN, *Executive Vice President*
HENRY GARFINKLE, *President*
WILLIAM A. MCCOLLOUGH, *Vice-President*
CHARLES F. MCKHANN, M.D., *President and Chairman of the Board, Chemway Corporation*
ALLAN MOLASKY, *Vice President, Pierce News Company*
JOHN A. MURPHY, *Vice-President*
MAXWELL M. RABB, *Partner, Stroock & Stroock & Lavan, Attorneys*
EDWIN L. WEISL, *Partner, Simpson Thacher & Bartlett, Attorneys*

Officers

HENRY GARFINKLE, *President*
HERBERT FRILEN, *Executive Vice President*
WILLIAM A. MCCOLLOUGH, *Vice-President*
JOHN A. MURPHY, *Vice-President*
WILLIAM J. BLISS, *Secretary & General Counsel*
MICHAEL J. KILFEATHER, *Treasurer*
HARRY A. LAUER, *Controller*
JOSEPH M. CHRISTIE, *Asst. Vice President*
ROBERT C. DENNIS, *Asst. Vice President*
RALPH FLOREA, *Asst. Vice President*
JOHN LACERRA, *Asst. Vice President*

Executive Offices: 131 Varick Street • New York, N. Y. 10013

Annual Meeting — The Annual Meeting of Stockholders will be held on Wednesday, March 25, 1964, at 11 A.M. at The American News Company offices at 131 Varick Street, New York City.

THE AMERICAN NEWS COMPANY

	1963	1962
Net sales	$131,905,307	$131,647,549
Net income	1,460,456	1,152,828
Per share	.97	.75
Special items—net credit	435,956	—
Per share	.29	—
Dividends paid	1,527,668	1,558,042
Per share	1.00	
Working capital	12,323,969	11,827,611
Ratio	1.73 to 1	1.69 to 1
Stockholders' equity	26,808,226	26,952,626
Equity per share	17.84	17.63

To Our Stockholders:

The net sales of the Company show only a slight increase from $131,647,549, in 1962 to $131,905,307, in 1963. However, net income from operations increased from 75¢ a share in 1962 to 97¢ a share in 1963. This improvement is most gratifying in view of the sharply reduced earnings of the first quarter, caused by the newspaper strike in New York City. About half of the 1963 net income was earned in the fourth quarter of the year. We fully expect this favorable trend to improve in future years, as our operating efficiencies and economies become fully effective.

Our program of cost and expense reduction continues at a growing pace. Each operation is carefully reviewed for profitability. During 1963, we terminated several operations which failed to meet expectations; additional sub-standard units were closed during January and February 1964. As leases of existing operations expire, they will be renewed only if profitability warrants; others will be terminated without regard to prestige or past history.

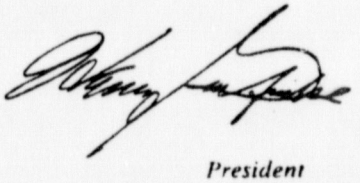
Yet 1963 was a year of growth and further diversification. Restaurants and coffee shops were opened at both Dulles Airport and the Northwest-Northeast-Braniff Terminal at New York's John F. Kennedy Airport. In New York's Grand Central area we opened The Envoy and The Executive, each a deluxe restaurant and coffee shop. The Independent Subway stands in New York City are another addition.

During 1963 we revised our Pension Plan and modernized it by taking into account recent revisions in social security coverage and benefits. This change made it possible for us to recover prior years' overfunding, amounting to 32¢ per share.

During December 1963, we borrowed $7,000,000 of long term funds from insurance companies to pay off short term loans, thereby strengthening our financial position.

We look forward with confidence and pride to our second century.

Respectfully submitted,



President

The American News Company has achieved a milestone enjoyed by a select group of corporations in the United States; it is now celebrating its one hundredth anniversary.

The Company was founded in 1864 and began with annual sales of $2,000,000. It was formed to provide quick and efficient distribution of periodicals.

That same year, 1864, saw the birth of another great company—one that was dedicated to the service and the comfort of the American traveler. The fortunes of these two concerns came together in 1872 when the parent company, The American News Company, acquired The Union News Company. Together, these forces, along with other important acquisitions and diversifications throughout the years, have provided America with important services from coast to coast.

The growth of the company and all of its services reflects its sensitivity to the changing needs and the growth of America.

Having now completed 100 years of existence, The American News Company is an image of major historical occurrences.

In the great Chicago Fire of 1872 the company's branch was destroyed with a loss of $100,000. It is interesting to note that not a day of operations was lost; distribution was immediately resumed from a circus tent pitched alongside a railroad track.

Again, the company, along with others in the San Francisco area, suffered from the earthquake disaster, but a branch was set up in Oakland without delay.

During its first century the company's vast operations have moved along the road of progress from a "candy butcher", walking down the aisle of a passenger train selling sandwiches and refreshments, to one of the largest restaurant operators in the United States. Its skill and experience in food retailing have caused the company to keep rapid pace with modern demands; it is handling hot and cold food from vending machines for American industry; it is providing coffee

services in giant office buildings; its Crotty Division plans, establishes and operates the food service management for schools, hospitals and other institutions. It has never forgotten the importance of the traveler to its business, and it has moved with him into the arteries of modern transportation. In the air-age, magnificent dining establishments, rivalling the cuisine and decor of the finest restaurants in metropolitan areas, have been established at air terminals. In addition, food facilities for all incomes are available in these terminals.

Turnpike restaurants are also in operation for the convenience of the ever-growing number of motoring individuals and families.

The American News Company no longer distributes periodicals. It is, however, the largest distributor of hard-cover books. It is also an important factor in the distribution of stationery and is a large national magazine subscription clearing house.

Through its American Match Division it manufactures, distributes, and sells match books.

Its Advertising Specialty Division offers a multitude of new and timely novelty and gift items for sales promotion.

The American News Company has 26 wholesale branches in addition to its home office in New York City and has more than 1200 retail outlets including restaurants, tobacco shops, gift shops, book shops, drugstores, and newsstands.

The dividend payable March 20, 1964 is the 588th consecutive dividend paid by the company. The company continues the record for the longest uninterrupted number of quarterly dividend payments of any company listed on the New York Stock Exchange.

As The American News Company moves into its second century, it is ever alert to the growing and changing demands of its customers and is fully prepared to meet them. With a century of experience, The American News Company is looking forward to ever greater opportunities to be of service to the American people, as well as customers in other lands.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS:

	Jan. 3, 1964	Dec. 28, 1962
Cash	$ 7,592,025	$ 6,303,109
Receivables	9,481,145	10,283,699
Inventories, at the lower of cost or market	12,123,134	12,385,741
Total current assets	29,196,304	28,972,549
Fixed assets, at cost:		
Land and buildings	5,549,525	5,749,078
Fixtures and leasehold improvements	24,333,435	23,922,727
Automobiles	409,692	332,270
	30,292,652	30,004,075
Less, Accumulated depreciation	11,592,163	11,740,913
Total fixed assets	18,700,489	18,263,162
Deferred charges and other assets	2,783,768	2,861,853
	$50,680,561	$50,097,564

The accompanying notes are an

THE AMERICAN NEWS COMPANY
and Subsidiaries

LIABILITIES:

	Jan. 3, 1964	Dec. 28, 1962
Accounts payable and accrued expenses	$12,755,931	$13,553,178
Notes payable—banks	2,350,000	2,620,000
Federal taxes on income	1,291,597	522,101
Deferred credits, etc.	474,807	449,659
Total current liabilities	16,872,335	17,144,938
Note payable—4½% due January 28, 1964		6,000,000
Notes payable—4⅞% due December 1, 1983 (Note 1)	7,000,000	
Commitments and contingent liability (Note 2)		

CAPITAL:

Capital stock, no par value (Note 3):		
Authorized, 2,000,000 shares;		
Issued 1,728,000 shares	10,800,000	10,800,000
Earned surplus (Notes 1 and 4)	20,429,856	20,061,112
	31,229,856	30,861,112
Less, Treasury stock at cost, 225,247 shares at January 3, 1964 and 200,370 shares at December 28, 1962	4,421,630	3,908,486
Total capital	26,808,226	26,952,626
	$50,680,561	$50,097,564

art of the financial statements

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

for the years ended January 3, 1964 and December 28, 1962

	1963 (53 weeks)	1962 (52 weeks) (Note 4)
Net sales	$131,905,307	$131,647,549
Cost of sales	69,166,782	70,035,883
Gross profit	62,738,525	61,611,666
Operating expense	60,625,778	60,384,052
Operating profit	2,112,747	1,227,614
Miscellaneous income, net of interest expense of $329,132 and $256,768, respectively	422,709	360,214
Income before provision for federal taxes on income	2,535,456	1,587,828
Provision for federal taxes on income (Notes 5 and 6)	1,075,000	435,000
Net income for the year	1,460,456	1,152,828
Special items:		
Recovery of prior years' pension overfunding, net of related federal taxes on income of $521,000 (Note 7)	479,956	—
Miscellaneous charges, net of related federal taxes on income of $46,000 (Note 8)	44,000*	—
Net income and special items	1,896,412	1,152,828
Earned surplus, beginning of year	20,061,112	20,466,326
	21,957,524	21,619,154
Cash dividends ($1.00 per share)	1,527,668	1,558,042
Earned surplus, end of year (Notes 1 and 4)	$ 20,429,856	$ 20,061,112
Depreciation and amortization included in cost of sales and operating expense	$ 2,160,162	$ 1,933,192

* Deduction.

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. The 4⅞% notes payable are due in annual instalments of $389,000 from 1966 to 1983, inclusive, with certain prepayment privileges available to the Company. Among other restrictions, the loan agreement currently requires the Company to maintain working capital of not less than $10,500,000 and a net current ratio of at least 1.5 to 1, and restricts the payment of cash dividends and the purchase or other acquisition of the Company's stock. At January 3, 1964, approximately $2,785,000 of earned surplus was free of such restrictions.

2. A substantial portion of the Company's operations is conducted under lease and concession agreements providing for rental payments based on several methods of computation. Under leases expiring after 1966, which have an average life of 8½ years from January 3, 1964, the aggregate rentals for 1963 were approximately $3,030,000.

As a result of an action instituted by a lessor, the Company may be liable for additional rents for which no provision has been made in the accompanying financial statements. A decision arising out of such action was entered against the Company on July 23, 1962, determining that additional rents are due from September 1, 1959. In the opinion of the Company and its counsel, the decision is erroneous. The Company has appealed and in the opinion of counsel should prevail. In the event of an adverse decision, net income would be reduced as follows:

1963	$213,8[illegible]
1962	22[illegible]
Years prior to 1962	508,125
Total	$943,433

3. During 1963 options to purchase 1,400 shares of capital stock were issued to officers at $19.12 per share, and an option to purchase 50 shares was exercised at $20.90 per share. At January 3, 1964 options were outstanding for 72,750 shares as follows:

No. of Shares	*Option Price Per Share*	*Expiration*
70,000	$14.01	1966
1,350	20.90	1969
1,400	19.12	1973

The option prices represent 95 per cent of the fair market values at dates of grant. There were no shares reserved for further options at January 3, 1964.

NOTES TO FINANCIAL STATEMENTS (continued)

4. The Investment Credit provisions of the Internal Revenue Code were retroactively liberalized by the recently enacted Revenue Act of 1964. Depreciation will be allowed on the full cost of all qualified facilities whose acquisition and use since January 1, 1962 gave rise to the Investment Credit. Consequently, a benefit will ultimately be received in the full amount of the Investment Credit utilized as an offset against federal income taxes.

In 1962, the Company had recognized as income, by a reduction of federal income tax expense, 48 per cent ($23,000) of the estimated available Investment Credit. In light of the aforementioned Internal Revenue Code revisions, and giving effect to a more precise determination of taxable income of the constituent companies, the 1962 financial statements have been retroactively restated to include in income 100 per cent of the Investment Credit utilized. The net income for 1962 has been accordingly increased by $75,000 (4¢ per share).

5. Pursuant to the Internal Revenue Code, the Company anticipates that it will utilize an Investment Credit of $167,000 against its federal income tax liability for 1963. The Company has reduced federal income tax expense for 1963 by the corresponding amount of $167,000, and for 1962 by $98,000 (see Note 4). This method is acceptable to the Securities and Exchange Commission. However, it is contrary to the conclusion expressed in Opinion No. 2 of the Accounting Principles Board of the American Institute of Certified Public Accountants, which requires that the credit be reflected in net income over the productive lives of the qualified facilities whose acquisition gave rise to the credit. Under the latter method, net income for 1963 and 1962 would have been reduced by $155,000 and $95,000, respectively.

6. The 1962 provision for federal taxes on income has been reduced by $88,000 resulting from the application of losses carried forward.

7. During 1963, the Company terminated its funded Pension Plan which had been adopted in 1942, and simultaneously adopted a substantially similar Pension Plan. Under such conditions, with the consent of the Internal Revenue Service, the Company recovered the overprovision in its pension fund, which arose in prior years, principally 1957. Included in the assets recovered from the pension fund were 24,927 shares of the Company's common stock which have been added to treasury stock.

8. During 1963 the Company re-evaluated the profitability of certain retail operations and wrote off the deferred charges applicable thereto.

LYBRAND, ROSS BROS. & MONTGOMERY

[illegible] BROADWAY
NEW YORK 4

AUDITORS' REPORT

To the Board of Directors and Stockholders
of The American News Company:

We have examined the consolidated statement of financial position of THE AMERICAN NEWS COMPANY and subsidiaries as of January 3, 1964 and the related statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the year ended December 28, 1962, which have been restated as explained in Note 4 to the financial statements.

In our opinion, except for the effect on the statements of income of the Company's treatment of the Investment Credit described in Note 5 to the financial statements, and subject to the effect of the outcome of the contingency discussed in Note 2 to the financial statements, the accompanying statements present fairly the consolidated financial position of The American News Company and subsidiaries at January 3, 1964 and December 28, 1962, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

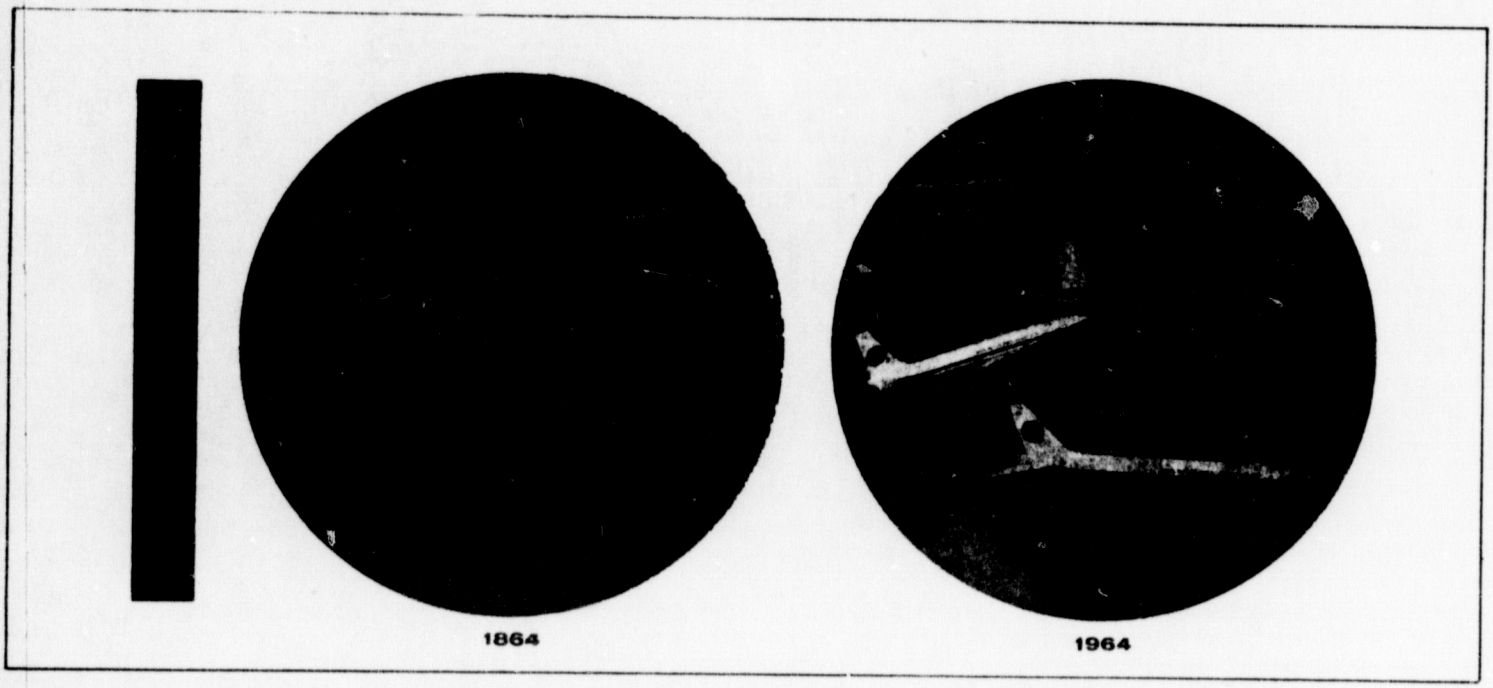
Lybrand, Ross Bros. & Montgomery

LYBRAND, ROSS BROS. & MONTGOMERY

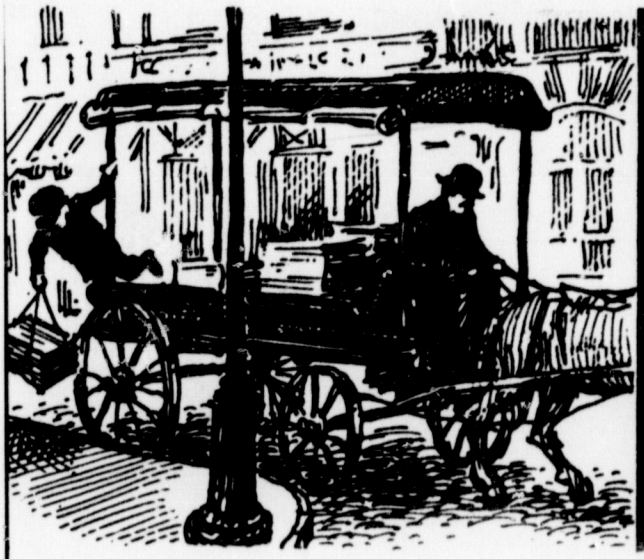
New York, February 29, 1964.

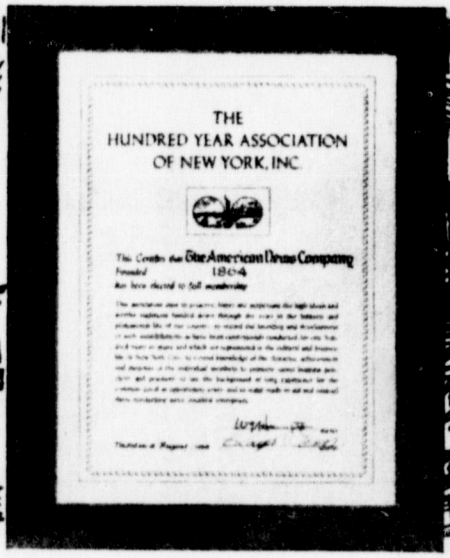
THE AMERICAN NEWS COMPANY
131 VARICK STREET • NEW YORK, N. Y. 10013

THE AMERICAN NEWS COMPANY



ANNUAL REPORT 1964 · 100TH ANNIVERSARY





The Story of American News (1864-1964)

During 1964 The American News Company completed its first century of service to the American public. As the thirty-five states increased to fifty and their population rose from thirty-five million to one hundred ninety-two million the Company kept pace through expansion and diversification. The Union News Division grew up with the railroads, but as travel habits changed, Union News and Savarin Restaurants ventured into bus depots, subway stations, airline terminals and highways. As reading habits changed, The American News Company discontinued the distribution of magazines and concentrated on hardcover books.

Today's modern snack bar has little in common with the train butcher of yesteryear; nor does the present day efficient distribution center resemble the horse drawn wagon of 1864. But throughout all these changes, the concept of SERVICE predominated. We look forward to continuing changes in our second century, but SERVICE will always remain the goal of The American News Company and its dedicated employees.

THE AMERICAN NEWS COMPANY

ANNUAL REPORT FOR THE YEAR ENDED JANUARY 1, 1965

1 Three Year Highlights
2 President's Letter
3 100 Years of Progress
6 Food Services and Retail Operations
11 Wholesale Operations
15 Consolidated Balance Sheet and Notes
17 Consolidated Statement of Income and Retained Earnings
18 Statement of Source and Application of Funds
18 Auditors' Report

THREE YEAR FINANCIAL HIGHLIGHTS

	1964	1963*	1962*
Net sales	$123,435,226	$131,905,307	$131,647,549
Net income	1,974,219	1,252,406	985,715
Per share	1.32	.83	.65
Dividends paid	1,500,253	1,527,668	1,558,042
Per share	1.00	1.00	1.00
Working capital	14,849,407	12,012,153	11,756,801
Ratio	2.3 to 1	1.7 to 1	1.7 to 1
Stockholders' equity	26,416,469	26,048,410	26,836,816
Equity per share	17.64	17.33	17.57

*Restated

TO OUR STOCKHOLDERS:

The year 1964 marked a major milestone in the history of your Company with the completion of one hundred years of service to the American public. We are pleased to present the results of operations for the Company's anniversary year. The continuing improvement in operating results is evidence of the Company's strength and resilience.

While sales dropped 6% from last year, net income increased by 58% and operating income by 91%. Net income increased to 1.6% of net sales in 1964 from 0.95% in 1963, and net income per share increased to $1.32 a share from 83¢ a share in the prior year.

Our aggressive profitability improvement campaign continued, leading to the closing of many substandard units and to the reduction of costs and expenses for most other operations. This is the principal reason for the $720,000 increase in earnings and the sales decline of $8,470,000. The improvement in earnings was achieved notwithstanding substantial costs and losses incurred in closing unsatisfactory units. Our firm policy of constantly reviewing each unit's operating results with a view to continually improving internal operations and pruning unsatisfactory units will again contribute greatly to increased earnings in 1965 and subsequent years.

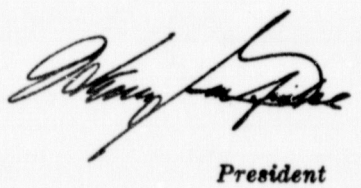
The Company's current position has also improved significantly. Working capital increased by more than $2.8 million, and the current ratio increased to 2.3 from 1.7 in the prior year.

We are always on the look-out for profitable new operations. Major additions during 1964 included: The Lighthouse in Miami Beach, one of the finest sea food restaurants in the country; the Astro Jet Restaurant in Logan Airport, Boston; and Rain or Shine in Newark, New Jersey, the Company's first venture into mobile catering.

The year 1965 will bring further acquisitions and diversifications. We have just expanded into a new field of industrial catering with the acquisition of Boatel, Inc. From Belle Chasse, Louisiana this company serves the men stationed in the Gulf of Mexico on oil drilling rigs and production platforms. Over the past twelve years Boatel has grown with offshore oil drilling to a current sales volume of about $3 million. We have also begun operating in Rockefeller Center station, the busiest newsstand in any subway system. We are currently negotiating for several other operations leading to further expansion.

The American News Company has entered its second century with renewed vigor and a firm base for future growth. The performance trend of the past two years reflects the implementation of our profitability improvement program and promises further increased earnings for the years ahead.

Respectfully submitted,



President

100 Years of Progress

THE FOUNDING OF THE
AMERICAN NEWS COMPANY

It was January 1864 and the Civil War was still raging on all fronts. Seven men ended months of negotiations by signing an agreement forming a New York joint stock association, called The American News Company. This represented a consolidation of several established wholesale distributors of magazines and newspapers in the New York City area with sales of almost two million dollars.

The new company was successful from its inception. In 1866 the first branches were opened in Chicago and Boston, and soon other magazine and newspaper distributors joined forces. In 1871 there were ten branches in eight states. Through expansion, acquisitions and mergers a nationwide network of branches was rapidly established.

Publishers, retailers and readers derived great benefits from this coast to coast distribution. Publishers could now deal with one efficient and responsible organization and be assured of covering the entire country. Retailers and readers were assured of timely delivery of popular magazines in sufficient quantities.

By 1950 more than 300 branches serviced the entire United States, and foreign affiliates were active in Canada and Europe. As the reading and leisure habits of the American public changed, more and more magazines ceased publication. The remaining magazines attempted to retain their readers by offering ever greater inducements to subscribers; they also sought to increase newsstand sales by handling the national distribution through their own organization or through affiliates. In view of these adverse developments, The American News Company terminated its wholesale magazine distribution in 1957.

Today, the Company is engaged in diversified activities and operations described below.

BOOK DEPARTMENT

It was inevitable that hard bound books would soon join magazines and soft bound books in obtaining the benefits of nationwide distribution by the branches of The American News Company. Actually the Company's book business started in October 1865 with the purchase of 24 Webster dictionaries. The volume in this department kept increasing until the Company reached its dominant position as the world's largest wholesaler of books. Each of our branches carries an extensive selection of books. More than seventy-five thousand titles by five hundred publishers are included in the one and a half million books stocked by our branches. While we concentrate on serving schools, colleges and libraries, we also sell to thousands of retailers all over the country. Publishers are frequently gratified to see what an important factor our distribution represents. Many a best seller had 30% or more of its copies sold by The American News Company. Continuing the tradition of ever expanding service, the book department has just started a complete service to libraries, with books jacketed, classified and catalogued, ready for immediate use.

STATIONERY DEPARTMENT

Many of the customers for magazines also sold stationery and related merchandise. It was a great benefit to them when The American News Company in its early years added stationery items. The first such purchase was $200 worth of diaries for the year 1866.

At the present time, thirteen branches carry a complete line of stationery, including office furniture. Customers include not only retailers but also schools, institutions and other large scale users.

SUBSCRIPTIONS

To aid the magazine retailer, a magazine subscription department was formed while the Company was still young. This department continues as a substantial operation, now selling primarily to libraries, agencies of the U. S. Government and business firms.

LENDING LIBRARIES

With the acquisition of American Lending Library, Inc., in 1929, book operations expanded into a new field. This division has its headquarters in Atlanta, Ga.; from there it services 900 units in public libraries and 300 units in stores located in 30 states.

MATCHES

In 1956 the Company became a manufacturer by acquiring a match plant in Zanesville, Ohio. The sales of matches became an increasing factor in the company's business, as the plant and selling organization grew over the years. To the original line of mass produced matches for large scale advertisers, such as soft drink bottlers and cigarette manufacturers, we added, in 1961, a program of custom designed specialty matches for restaurants, hotels, banks and other advertisers seeking maximum exposure at minimum cost.

ADVERTISING SPECIALTIES

The Advertising Specialty Department was added in 1958. It has grown since then with the specialty match business with which it is closely affiliated. This department carries a tremendous selection, ranging from drink mixers to a complete line of executive gifts. Most of the items are manufactured to our design. Through the vast resources of our many suppliers and the know-how of our highly trained personnel, we are able to create just the right gift to meet any customer's requirements.

WHOLESALE BRANCHES

From the first expansion in 1866, The American News Company has always located its branches so as to provide efficient service and complete merchandise selection to its customers. We now have 26 distribution centers serving the United States from coast to coast. Most of them are operating in our own buildings. Each branch sells books, matches, advertising specialties and magazine subscriptions; thirteen branches also sell stationery.

CANADIAN OPERATIONS

Our affiliate, Canadian Book Wholesale, Ltd., located in Toronto, is rapidly expanding its book sales to schools, libraries and retailers in the Dominion.

UNION NEWS

The Union News Company also began business in 1864, starting with little more than the inspiration of its founder, William Henry Williams. Realizing the monotony of long train rides, he proposed to provide comfort for the passengers and requested permission from Commodore Vanderbilt to sell newspapers, periodicals and tobacco products on the trains of the New York and Harlem Railroad. Mr. Williams was unable to pay for this privilege as the Railroad had requested, but he agreed to give additional service to the travelers by having the train butcher pass through the train with a bucket of water and dipper offering each passenger a drink. This was the first train service ever offered. Travelers were delighted, and the business grew rapidly. Soon the Union News train butcher was found on most every train East of the Mississippi. The Williams family built up The Union News Company and remained with it for several generations.

As the magazine sales of The Union News Company kept increasing, it was only natural for it to have a closer and closer relationship with the only national magazine distributor, The American News Company. In 1872 The American News Company acquired an interest in The Union News Company and before the turn of the century became the sole stockholder. As the railroads carried an increasing number of passengers, The Union News Company expanded its services and operations. Newsstands and gift shops were opened in major terminals all over the country; snackbars and restaurants followed shortly.

Following the change in travel patterns, Union News facilities were soon found in bus depots, airline

terminals and on highways. Other operations opened in office buildings, such as New York's Rockefeller Center and Chicago's Board of Trade Building. Newsstands and gift shops expanded also into subways and hotels.

Always progressive and alert to changing conditions, Union News moved into other new fields such as in-flight feeding, sales through vending machines, operation of ice skating rinks and concessions at sports and entertainment centers.

The fine restaurants, including the Oyster Bar at Grand Central Station and the Promenade Restaurants adjoining the skating rink in Rockefeller Plaza, were joined in 1949 by the renowned chain of Savarin Restaurants. Today, we proudly feature the name SAVARIN for all our quality restaurants.

CROTTY BROTHERS

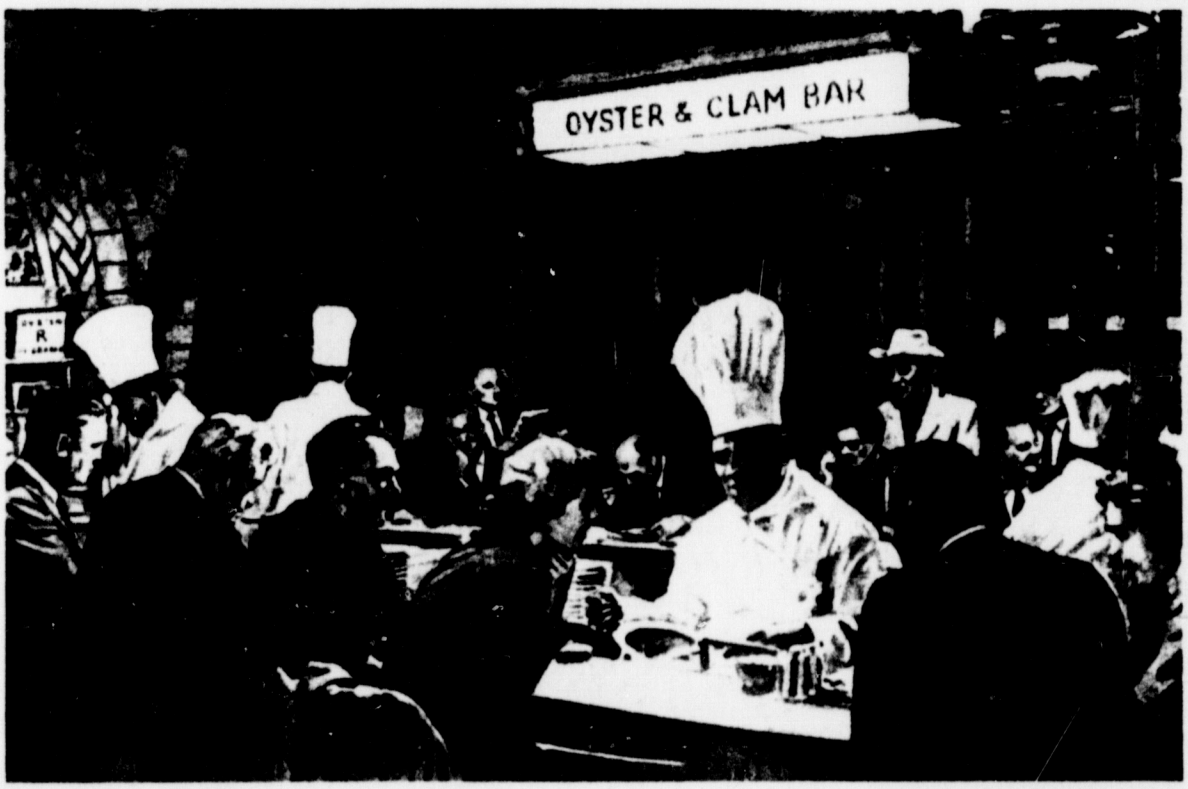
Founded in 1930 by Andrew Crotty and Francis Crotty, this company has long been a pioneer in institutional food service for schools, colleges, hospitals, factories and offices. Many of their clients have enjoyed Crotty service for a quarter century or longer. These specialists in food management serve more than one million meals each week. Since 1960, Crotty Brothers has been a part of The American News Company. The association of two leaders in food service has been very beneficial for the Company, for the Crotty Division and for its clients.

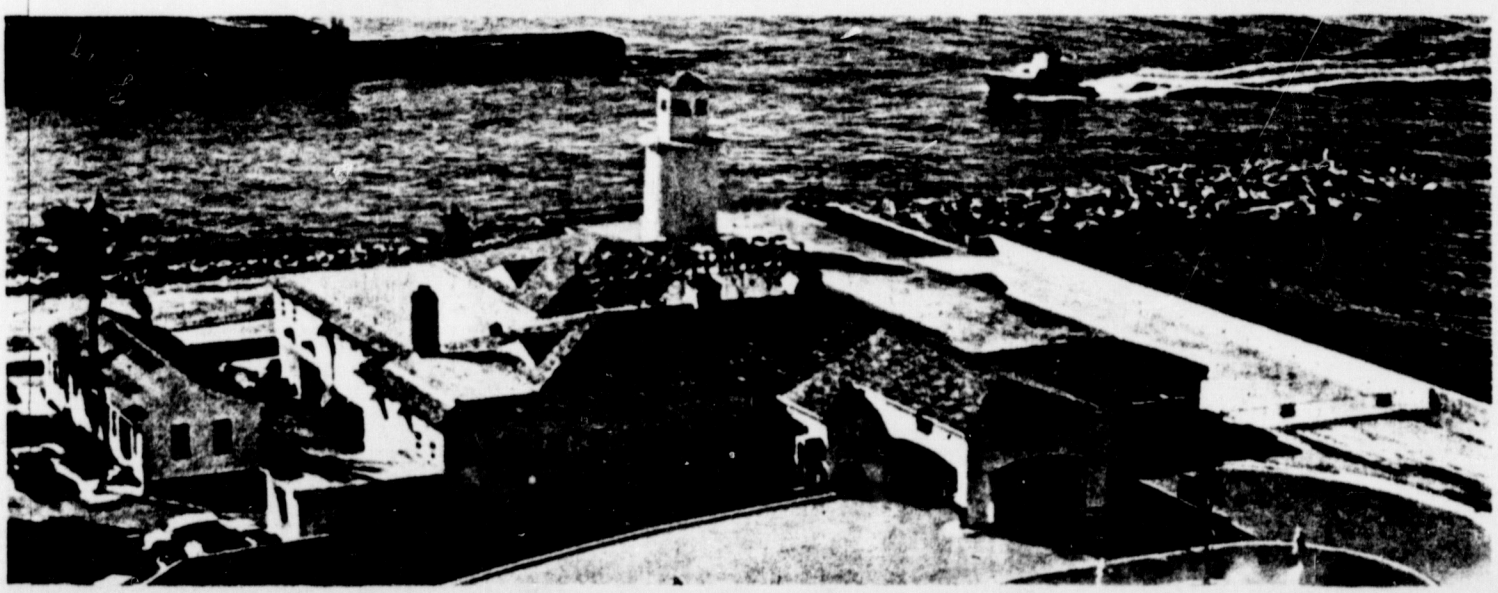
DIVIDENDS

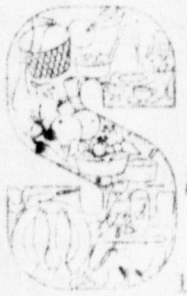
The American News Company declared its first dividend in August 1864, payable to the seven stockholders who had founded the company a few months before. Since then, the Company's stockholders have received periodic dividend checks without interruption. For many years, six dividends were paid each year; in 1956 we changed to the more usual quarterly dividend. On March 20, 1965 we will pay our 592nd dividend.

Food Services and Retail Operations

The world famous Oyster Bar in New York's Grand Central Station was joined in 1964 by the equally renowned Lighthouse in Miami Beach, Florida. Both restaurants excel in delectable sea foods and other tasty dishes for any gourmet.





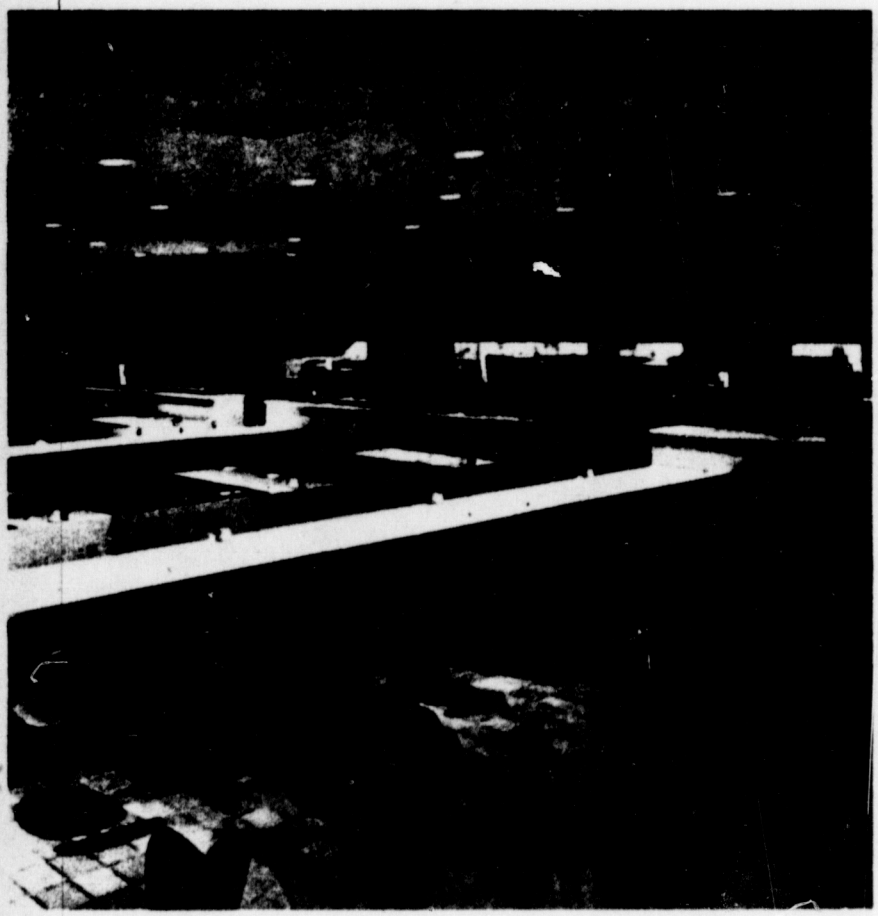


John Q. Public
Sign here

IS A PREFERRED CUSTOMER OF
AVARIN RESTAURANTS
Fine Food Coast to Coast

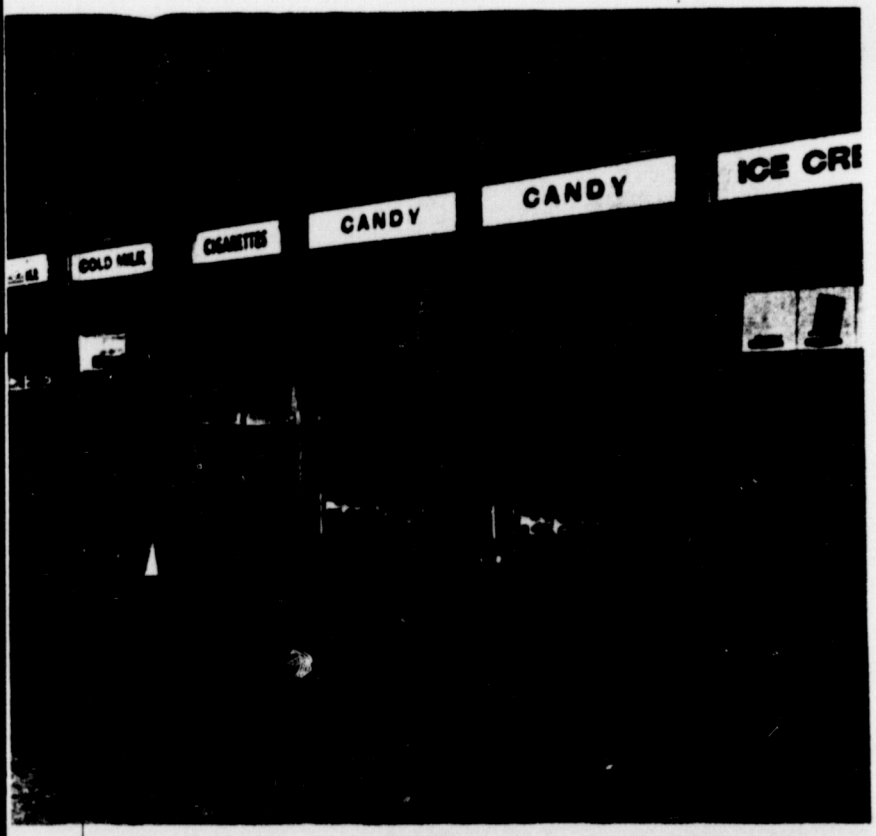
10467
JOHN Q PUBLIC

The key to fine dining, an added convenience which Savarin offers its guests.

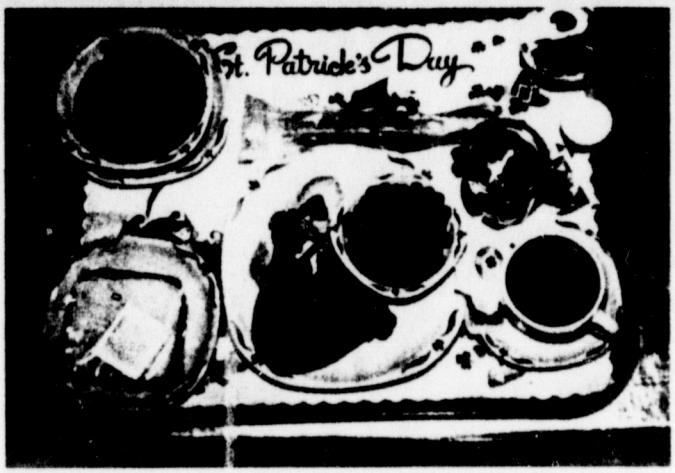


Air terminals in every part of the country feature Savarin service for the traveller. At the Minneapolis—St. Paul International Airport, Savarin operates dining room, cocktail lounge, coffee shop *(above)*, employees' cafeteria and in-flight kitchen. Savarin has dining room *(right)*, coffee shop, wine and beer lounge, snack bar and employees' cafeteria at Washington's Dulles International Airport.

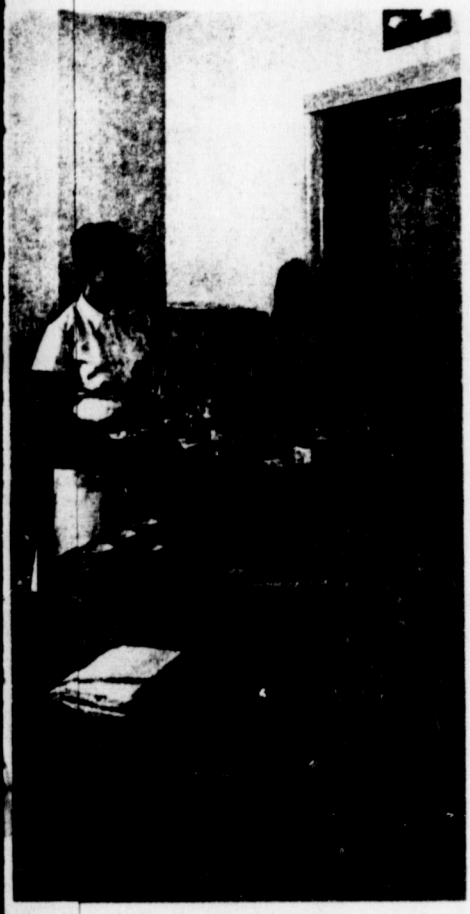
Savarin caters parties and functions for a few guests or for ten thousand. Below is a recent dinner for eight thousand at the Fair Grounds in Louisville, Ky.



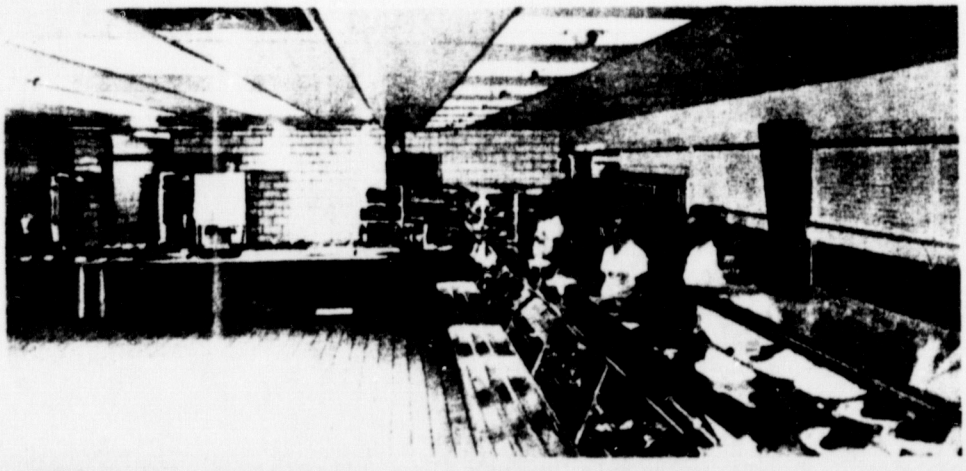
ANCO Vending Division operates thousands of machines vending fresh coffee, hot drinks, iced soft drinks, cigarettes, candy, milk, ice cream, pastry, sandwiches, salads and hot meals. Installations range from one machine to full scale automatic cafeterias. Pictured here, an automatic cafeteria *(above)* and a snack area *(left)*.

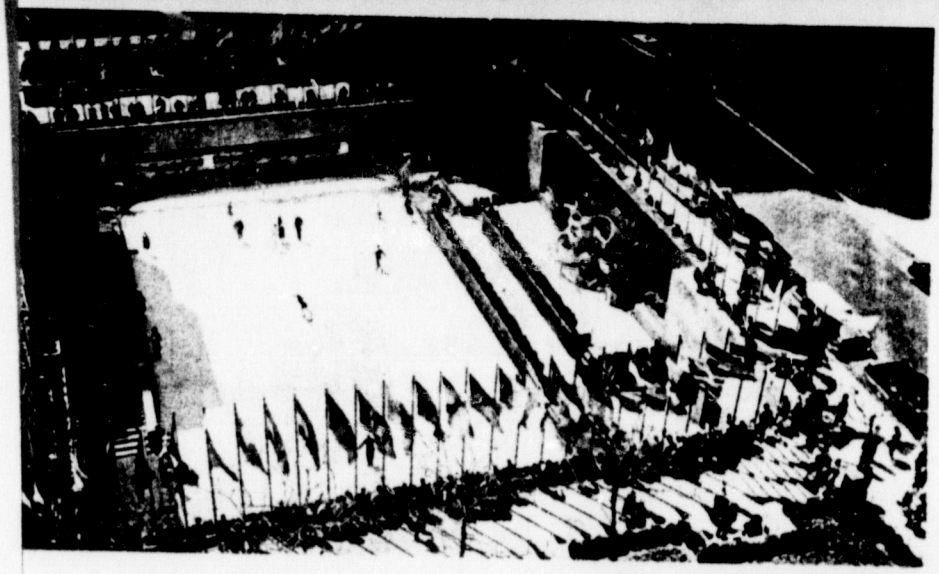


A hospital stay can be pleasant with meals prepared and served under Crotty supervision.

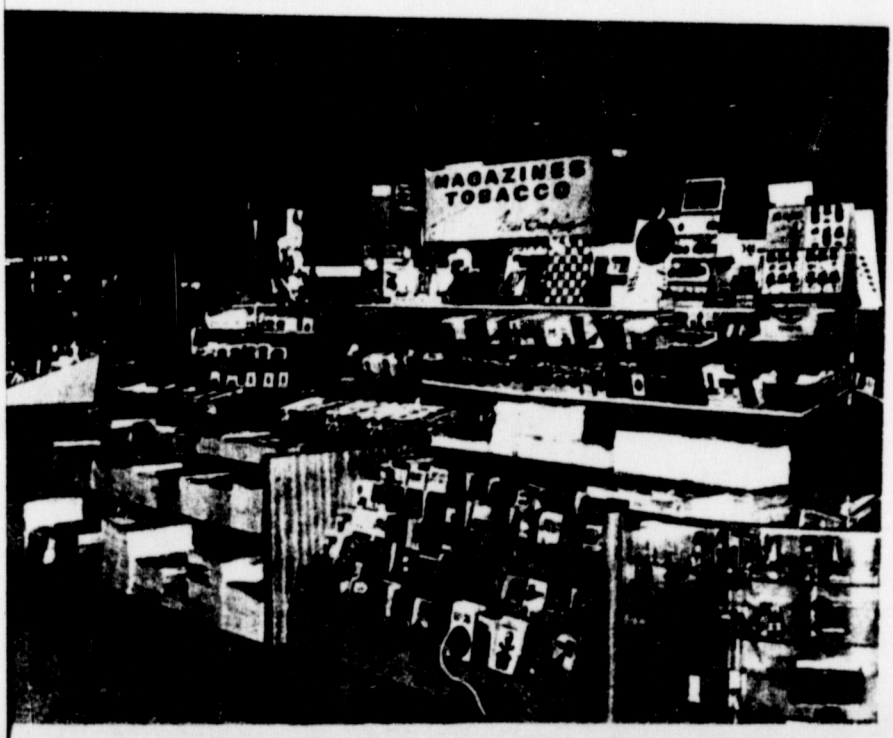


Crotty Brothers can handle any assignment in institutional feeding to everybody's satisfaction. Shown here are service to an executive dining room *(above)*; catered buffet dinner *(upper right)*; typical cafeteria *(lower right)*.





Union News also operates skating rinks, this one in Rockefeller Center. The adjoining restaurants, Cafe Francais and English Grill, offer a first rate ice show with delicious food and fine service.



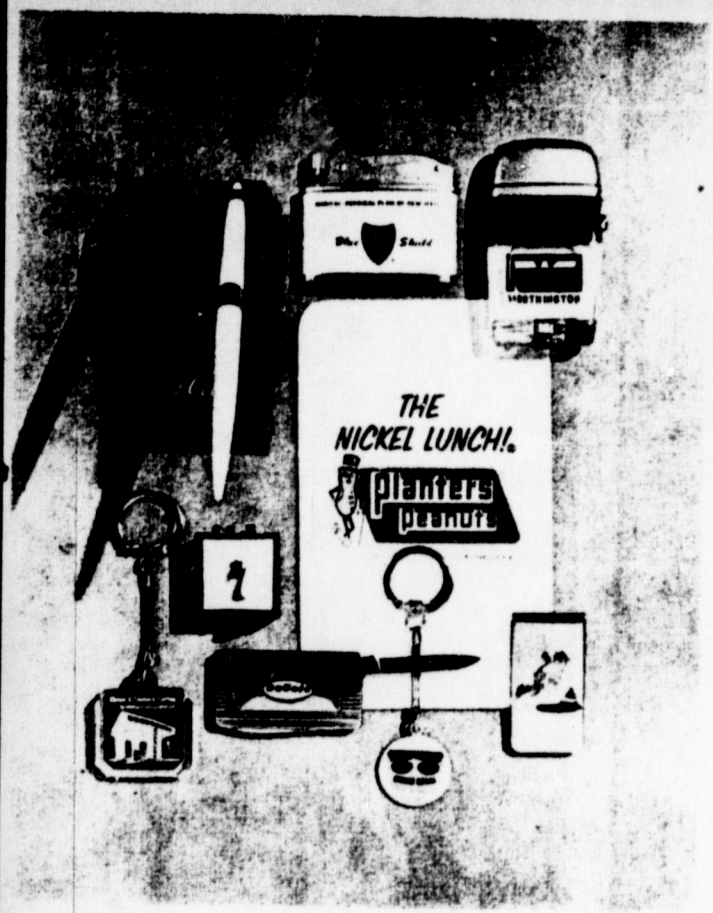
Nobody can travel far without encountering one of our newsstands. These two miniature department stores are in Boston's Logan Airport *(above)* and Dallas' Love Field *(left)*.

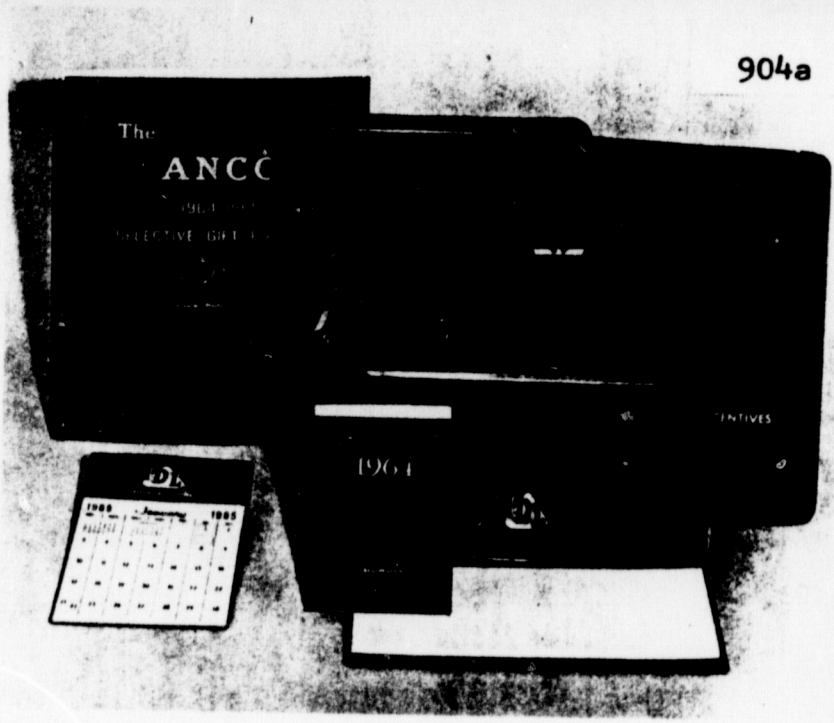
Wholesale Operations

Best sellers move fast; using skids speeds up handling and order picking *(above)*.

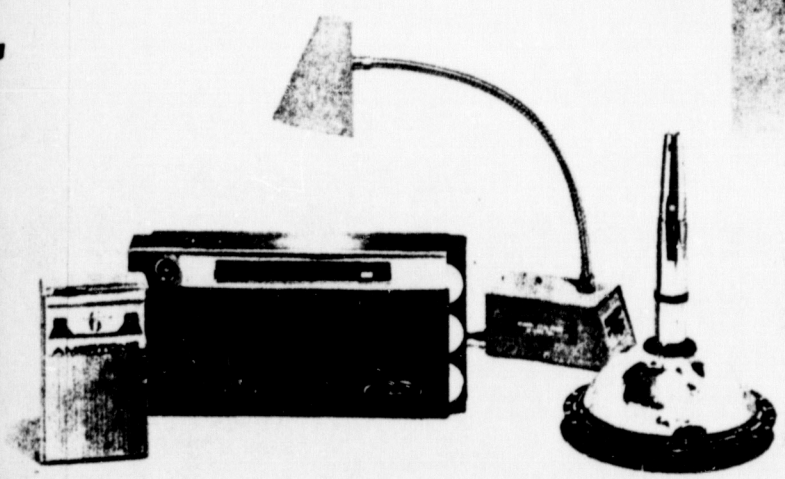
Rows upon rows of shelving, it takes miles of them to store and display our vast assortment of books *(left)*.

TWA
NEW YORK INTERNATIONAL AIRPORT
The Milleridge Inn
1672
GOLDEN LION
Continental & Haute French Cuisine
VISIT THE COCA COLA TOWER
THE OYSTER BAR
SUBURBAN LEVEL
GRAND CENTRAL TERMINAL
NEW YORK, N Y
BBC
tv
enterprises
LA RÉPUBLIQUE CENTRAFRICAINE
Fête Nationale: 1er Décembre
THE CONNECTICUT BANK
REPUBLIC HOMES
The Excitingly Different
Barcelona
MOTEL
OCEANFRONT 43rd TO 44th STS.
MIAMI BEACH
SAVARIN
RESTAURANTS
Sign of the Dove
MATCHES . . . and more MATCHES
Our modern plant in Zanesville produces them by the car load . . . specialty matches, those tireless salesmen, are available in a variety of: colors—one to five;
sizes—20 stick, 30 stick or 40 stick;
designs—from simplest to most complex artwork;
covers, including dazzling metallics.
We manufacture special design matches from five cases upwards. We also make a complete line of stock designs, available one case or more, and resale matches.
JAYANTI
JAYANTI SHIPPING COMPANY LTD · NEW DELHI INDIA
Bali-Hai
NORMANDY FARM
ABC RADIO





Our Advertising Specialty Department is also headquarters for premiums, self-liquidators and gifts. The representative sample shown here includes: Advertising specialties, lighters and jewelry *(above)*; calendar, diary, desk pad and catalogues for premiums *(upper right)*; self-liquidator, incentive award and custom designed glass and ceramics *(lower right)*; executive gifts *(below)*.



A veritable super market for stationery purchasers. Governmental agencies, banks, insurance companies and large offices can meet every stationery requirement from our tremendous assortments. We also carry a complete line of school supplies and office furniture.

THE AMERICAN NEWS COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

at January 1, 1965 and January 3, 1964

ASSETS:

	Jan. 1, 1965	Jan. 3, 1964
Cash	$ 5,214,596	$ 7,592,025
Receivables, less allowance at January 1, 1965, $110,000	9,440,062	9,481,145
Inventories, at the lower of cost or market	11,735,482	12,123,134
Total current assets	26,390,140	29,196,304
Fixed assets, at cost:		
Land and buildings	5,405,278	5,549,525
Fixtures and leasehold improvements	22,899,430	24,333,435
Automobiles	419,283	409,692
	28,723,986	30,292,652
Less, Accumulated depreciation	11,568,055	11,592,163
	17,155,931	18,700,489
Deferred charges and other assets	2,853,738	2,783,768
	$46,399,809	$50,680,561

NOTES TO FINANCIAL STATEMENTS

1. During 1964, the Company made certain compromise settlements of controversies with lessors pertaining principally to prior years. Accordingly, the financial statements for 1963 have been restated retroactively to give effect to such settlements and a reclassification, as follows:

	Net Income year ended Jan. 3, 1964	*Retained Earnings as of Dec. 28, 1962*
Reduction (increase) in net income and retained earnings:		
Additional rentals and related expenses, net of federal income taxes	$208,050	$551,766
Reclassification, principally of pension overfunding for years prior to 1963, formerly classified as special items		(435,956)
Net reduction	$208,050	$115,810

2. The 4¾% notes payable are due in annual instalments of $889,000 from 1966 to 1988,

LIABILITIES:

	Jan. 1, 1965	Jan. 3, 1964 (Note 1)
Accounts payable and accrued expenses	$ 9,835,533	$13,990,554
Notes payable	1,300,000	2,350,000
Federal income taxes	405,200	843,597
Total current liabilities	11,540,733	17,184,151
Notes payable:		
4⅞% due December 1, 1983 (Note 2)	7,000,000	7,000,000
Other at 2%, due 1966 through 1968	900,000	—
	7,900,000	7,000,000
Deferred federal income taxes	542,607	448,000
NET WORTH:		
Capital stock, no par value (Note 3):		
Authorized, 2,000,000 shares;		
Issued 1,728,000 shares	10,800,000	10,800,000
Retained earnings (Notes 1 and 2)	20,144,006	19,670,040
	30,944,006	30,470,040
Less, Treasury stock at cost, 230,247 shares at January 1, 1965 and 225,247 shares at January 3, 1964	4,527,537	4,421,630
Net worth	26,416,469	26,048,410
	$46,399,809	$50,680,561

inclusive, with certain prepayment privileges available to the Company. The loan agreement contains certain minimum working capital requirements and cash dividend and stock repurchase restrictions. At January 1, 1965, approximately $2,970,000 of retained earnings was free of such restrictions.

3. The Company has a stockholder approved stock option plan under which options to purchase an aggregate of 71,550 shares were outstanding at January 1, 1965 as follows:

No. of Shares	*Option Price Per Share*	*Expiration*
70,000	$14.01	1966
150	20.90	1969
1,400	19.12	1973

Option prices represent 95% of market value at date of grant. No options were granted or exercised during 1964. Options to purchase 1,200 shares may be granted prior to February 15, 1966.

4. Provisions for federal income taxes were reduced by $100,000 in 1964 resulting from use of losses carried forward and by investment tax credits of $134,000 in 1964 and $167,000 in 1963.

5. A substantial portion of the Company's operations is conducted under lease and concession agreements providing for rental payments based on several methods of computation. Aggregate rentals for 1964 were approximately $3,200,000 on long-term leases, which have an average life of 8 years from January 1, 1965.

THE AMERICAN NEWS COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For Years Ended January 1, 1965 and January 3, 1964

	1964 (52 Weeks)	1963 (53 Weeks) (Note 1)
Net sales	$123,435,226	$131,905,307
Costs and expenses:		
Cost of sales	65,700,850	69,040,803
Selling, general and administrative expense	52,523,441	59,007,695
Depreciation and amortization	1,975,242	2,160,162
	120,199,533	130,208,660
Operating income	3,235,693	1,696,647
Other income, net:		
Miscellaneous income	596,260	751,891
Interest expense	377,734	329,132
	218,526	422,759
Income before provision for federal income taxes	3,454,219	2,119,406
Provision for federal income taxes (Note 4)	1,480,000	867,000
Net income	1,974,219	1,252,406
Retained earnings, beginning of year	19,670,040	19,945,302
	21,644,259	21,197,708
Cash dividends, $1.00 per share	1,500,253	1,527,668
Retained earnings, end of year	$ 20,144,006	$ 19,670,040

The accompanying notes are an integral part of the financial statements.

THE AMERICAN NEWS COMPANY AND SUBSIDIARIES

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Years Ended January 1, 1965 and January 3, 1964

SOURCE:

	1964	1963
Net income	$1,974,219	$1,252,406
Depreciation and amortization	1,975,242	2,160,162
Increase in deferred federal income taxes	94,607	493,000
	4,044,068	3,905,568
Increase in long term debt	900,000	1,000,000
	$4,944,068	$4,905,568

APPLICATION:

Dividends paid	$1,500,253	$1,527,668
Net additions to fixed assets	411,725	2,421,202
Acquisition of treasury stock	105,907	513,144
Increase in other assets	88,929	188,202
	2,106,814	4,650,216
Increase in working capital	2,837,254	255,352
	$4,944,068	$4,905,568

AUDITORS' REPORT

To the Stockholders and Board of Directors
of The American News Company:

We have examined the consolidated balance sheet of THE AMERICAN NEWS COMPANY and subsidiaries as of January 1, 1965 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the year ended January 3, 1964, which have been restated as explained in Note 1 to the financial statements.

In our opinion, the accompanying statements present fairly the consolidated financial position of The American News Company and subsidiaries at January 1, 1965 and January 3, 1964, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have made a similar examination of the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the basic financial statements, presents fairly the sources and application of funds of The American News Company for the years ended January 1, 1965 and January 3, 1964.

Lybrand, Ross Bros & Montgomery

New York, February 26, 1965.

ANDREW J. CROTTY, JR., *President, Crotty Brothers, Inc.*
LEO F. DALEY, *Partner, Harris, Upham & Company*
OSCAR A. DOOB, *Public Relations Consultant*
HERBERT FRILEN, *Executive Vice-President*
HENRY GARFINKLE, *President*
HARRY MARLEY, *President, Abe Cooper-Syracuse, Inc.*
WILLIAM A. McCOLLOUGH, *Vice-President*
CHARLES F. McKHANN, M.D., *Chairman of the Board, Chemway Corporation*
ALLAN MOLASKY, *Vice-President, Pierce News Company*
JOHN A. MURPHY, *Vice-President*
MAXWELL M. RABB, *Partner, Stroock & Stroock & Lavan, Attorneys*
EDWIN L. WEISL, *Partner, Simpson, Thacher & Bartlett, Attorneys*

HENRY GARFINKLE, *President*
HERBERT FRILEN, *Executive Vice-President*
WILLIAM A. McCOLLOUGH, *Vice-President*
JOHN A. MURPHY, *Vice-President*
WILLIAM J. BLISS, *Secretary & General Counsel*
MICHAEL J. KILFEATHER, *Treasurer*
HARRY A. LAUER, *Controller*

JOSEPH M. CHRISTIE, *Vice-President—Books*
ROBERT C. DENNIS, *Vice-President—Matches*
RALPH FLOREA, *Vice-President—Advertising Specialties*
JOHN LACERRA, *Vice-President—Stationery*
ALFRED D'AMBROSIO, *Asst. Vice-President—Union News Division*
ABRAHAM H. FOGEL, *Asst. Vice-President—Union News Division*

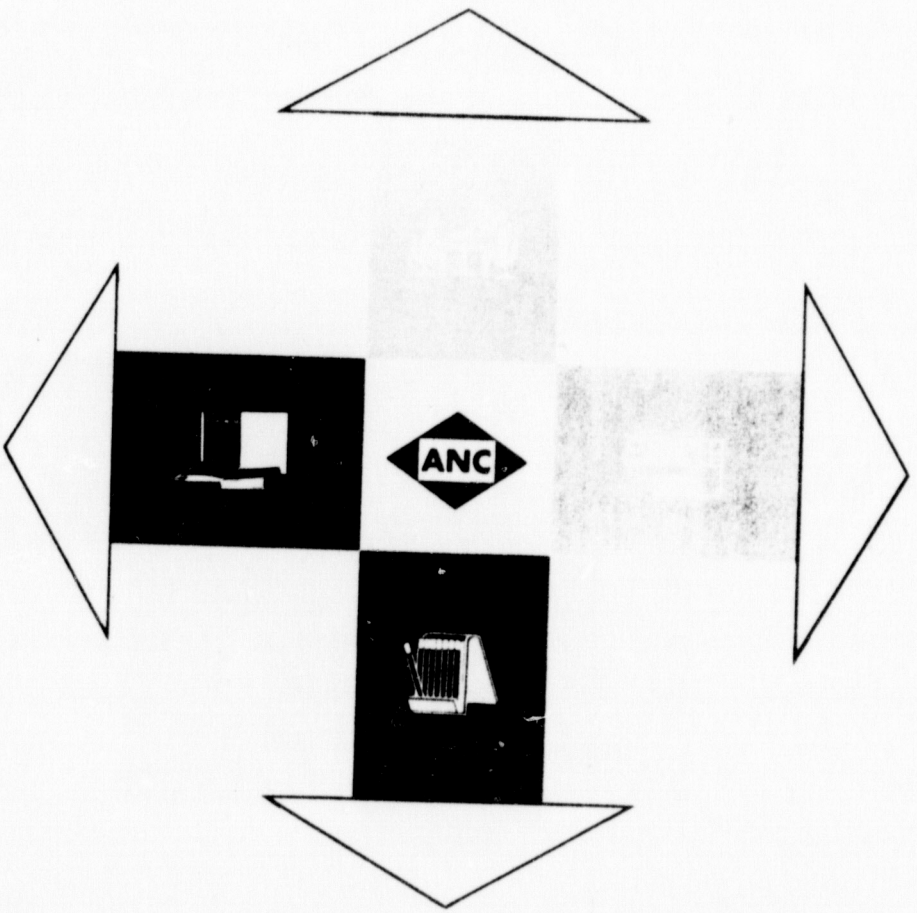
ANNUAL MEETING—The Annual Meeting of Stockholders will be held on Wednesday, March 31, 1965, at 11 A.M. at The American News Company offices at 131 Varick Street, New York City.

TRANSFER AGENT—First National City Bank, New York, N. Y.

REGISTRAR—Manufacturers Hanover Trust Company, New York, N. Y.

The Capital Stock of the Company has been listed on the New York Stock Exchange since 1930.

EXECUTIVE OFFICES: 131 VARICK STREET, NEW YORK, N. Y. 10013



The American News Company

Annual Report 1965

THE AMERICAN NEWS COMPANY TODAY

The American News Company has been a leader in the service industry for more than a century. In 1864, the Wholesale Division started the distribution of newspapers and magazines in New York City, and the train butchers of The Union News Division inaugurated service to passengers of the New York and Harlem Railroad. Since then, the Company has expanded into new fields and areas.

In its second century, The American News Company operates in 40 states, serving the U.S. from coast to coast. More than one thousand different operations are engaged in a variety of businesses.

Food services account for about 60¢ of the sales dollar. They range from snack-bars and caretinas in parks to gourmet restaurants in transportation terminals. They also include in-flight feeding, banquet catering carts for coffee breaks, and complete vending installations. The Crotty Division has been a pioneer since 1930 in providing the finest food service for hospitals, schools and industry. The Boatel Division has grown with off-shore drilling; it feeds crews stationed on rigs and platforms in the Gulf of Mexico.

Retail operations contribute 15¢ to the sales dollar. They include newsstands and giftshops in subways, terminals and office buildings.

The wholesale division produces the other 25¢ of the sales dollar. Twenty-six branches distribute books, stationery, advertising specialties and matches. The latter are manufactured by The American Match Division in its modern plant at Zanesville.

THE AMERICAN NEWS COMPANY SERVES THE NATION FOR OVER 100 YEARS

913a

The American News Company Annual Report for the Year ended December 31, 1965

Year at a Glance	1965	1964	% Increase (Decrease)
Net sales	$125,239,880	$123,435,226	1.5
Net income	2,510,105	1,974,219	27.1
Per share	1.70	1.32	28.8
Dividends paid	1,485,066	1,500,253	
Per share	1.00	1.00	
Working capital	14,239,946	14,849,407	(4.1)
Stockholders' equity	26,829,462	26,416,469	1.6
Equity per share	18.13	17.64	2.8

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1 Year at a Glance
2 President's Letter
3 5 Year Statistical Summary
4 Directors and Officers
5 Pictorial Review of Operations
13 Consolidated Statement of Income and Retained Earnings
14 Consolidated Balance Sheet
14 Notes to Financial Statements
16 Statement of Source and Application of Funds
16 Auditors' Report

ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Wednesday, March 30, 1966, at 11 A.M. at The American News Company offices at 131 Varick Street, New York City.

HENRY GARFINKLE, President

Fellow Shareholders:

We are pleased to present to you the results of the Company's operations for 1965, our one hundred and second year of service.

On a sales increase of 1½%, net income rose 27% to $2,510,105, representing 2¢ of the sales dollar, compared to 1.6¢ last year. Net income per share increased to $1.70 from $1.32 in 1964.

The five year statistical summary on the facing page presents clear evidence of the Company's recent progress and achievements. Since its inception in 1963, the profitability improvement program has produced impressive gains. Costs and expenses have been sharply reduced in all areas; many substandard operations have been rehabilitated or terminated. During 1965, we terminated the restaurants and giftshops on the Connecticut Turnpike, the Holland House Taverne and a number of smaller locations. Since then, we have greatly reduced our facilities in Boston's South Station, where passenger traffic has declined continually. Other unprofitable operations will be closed in 1966. The profitability improvement campaign is continuing with undiminished vigor. We therefore confidently expect future benefits from this program.

The Company's business covers most of the United States and includes many diversified activities. To control and evaluate the more than one thousand separate operations, detailed income statements are periodically prepared and analyzed. This serves to measure the continuing improvements in performance and aids in planning for the future.

The major 1965 acquisition was Boatel, Inc., which is pictured and described on the two pages of the back cover. Other additions include: Guy Lombardo's East Point House in Freeport, Long Island; the Candle Light Inn in Miami's Coconut Grove; and a complete vending installation at the Marion Power Shovel Plant at Marion, Ohio. Many older units were rebuilt and refurbished, including most of the facilities in Union Station, Washington, D. C. Two wholesale branches, in San Francisco and Toronto, have just moved into efficient new buildings. Our American Match Company has again outgrown its quarters and is now enlarging the Zanesville plant. Other additions and renovations are planned for 1966.

The Company is always on the alert for suitable additions which will increase profits. Preliminary discussions now under way may result in further expansion and diversification.

On February 3, 1966 the Board of Directors voted a 2% stock dividend payable on April 21, 1966 to stockholders of record March 10, 1966. This stock dividend is in addition to the regular quarterly cash dividend of 25¢ a share payable on March 21st.

The aggressive steps taken during the past three years have reinforced the Company's basic strength, which together with our new units provide a solid foundation for future growth. Your management looks forward to a continuing increase in earnings for 1966 and later years.

Respectfully submitted,

President

March 7, 1966

The American News Company and Subsidiaries

Five Year Statistical Summary

	1965	1964	1963	1962	1961
For the year:					
Net sales*	125,240	123,435	131,906	131,647	126,225
Income before Federal income taxes*	4,464	3,454	2,119	1,254	3,666
Net income*	2,510	1,974	1,252	986	2,039
Percent of net income to:					
Sales	2.00%	1.60%	.95%	.75%	1.62%
Stockholders' equity	9.36%	7.47%	4.81%	3.67%	6.95%
Dividends paid*	1,485	1,500	1,528	1,558	1,589
Amount per share:					
Net income	1.70	1.32	.83	.65	1.28
Dividends paid	1.00	1.00	1.00	1.00	1.00
Stockholders' equity	18.13	17.64	17.33	17.57	18.46
At year end:					
Current assets*	29,583	26,390	29,196	29,204	30,501
Current liabilities*	15,343	11,541	17,184	17,447	20,846
Working capital*	14,240	14,849	12,012	11,757	9,655
Ratio	1.9	2.3	1.7	1.7	1.5
Long term debt*	7,211	7,900	7,000	6,000	—
Stockholders' equity*	26,829	26,416	26,048	26,837	29,357
Shares issued and outstanding*	1,480	1,498	1,503	1,528	1,590
Shareholders	5,400	5,300	4,200	4,000	3,900

* In thousands

The American News Company

Directors

ANDREW J. CROTTY, JR.
LEO F. DALEY
OSCAR A. DOOB
HERBERT FRILEN
HENRY GARFINKLE
HARRY MARLEY
WILLIAM A. McCOLLOUGH
CHARLES F. McKHANN
ALLAN MOLASKY
JOHN A. MURPHY
MAXWELL M. RABB
EDWIN L. WEISL

Corporate Officers

HENRY GARFINKLE, President
HERBERT FRILEN, Executive Vice-President
WILLIAM A. McCOLLOUGH, Vice-President
JOHN A. MURPHY, Vice-President
WILLIAM J. BLISS, Secretary & General Counsel
MICHAEL J. KILFEATHER, Treasurer
HARRY A. LAUER, Controller

Divisional Officers

JOSEPH M. CHRISTIE, Vice-President—Books
ROBERT C. DENNIS, Vice-President—Matches
RALPH FLOREA, Vice-President—Advertising Specialties
JOHN LACERRA, Vice-President—Stationery
CHESTER W. CRATER, Asst. Vice-President—New York Wholesale Branch
ALFRED D'AMBROSIO, Asst. Vice-President—Union News Division
ABRAHAM H. FOGEL, Asst. Vice-President—Union News Division
JOHN P. SCULLY, Asst. Vice-President—Labor Relations

Officers of Subsidiaries

JOSEPH M. GATELY, President—Crotty Brothers, Inc.
JOHN P. KUCHTA, President—Boatel, Inc.

TRANSFER AGENT—First National City Bank, New York, N. Y.

REGISTRAR—Manufacturers Hanover Trust Company, New York, N. Y.

The Capital Stock of the Company has been listed on the New York Stock Exchange since 1930.

EXECUTIVE OFFICES: 131 VARICK STREET, NEW YORK, N. Y. 10013

PICTORIAL REVIEW OF OPERATIONS

In 1965, The American News Company, one of the nation's leading service organizations, was engaged in many diverse activities. Some of the most important of these are portrayed on the cover and pages of this report. Many others have played a significant role in our recent growth.

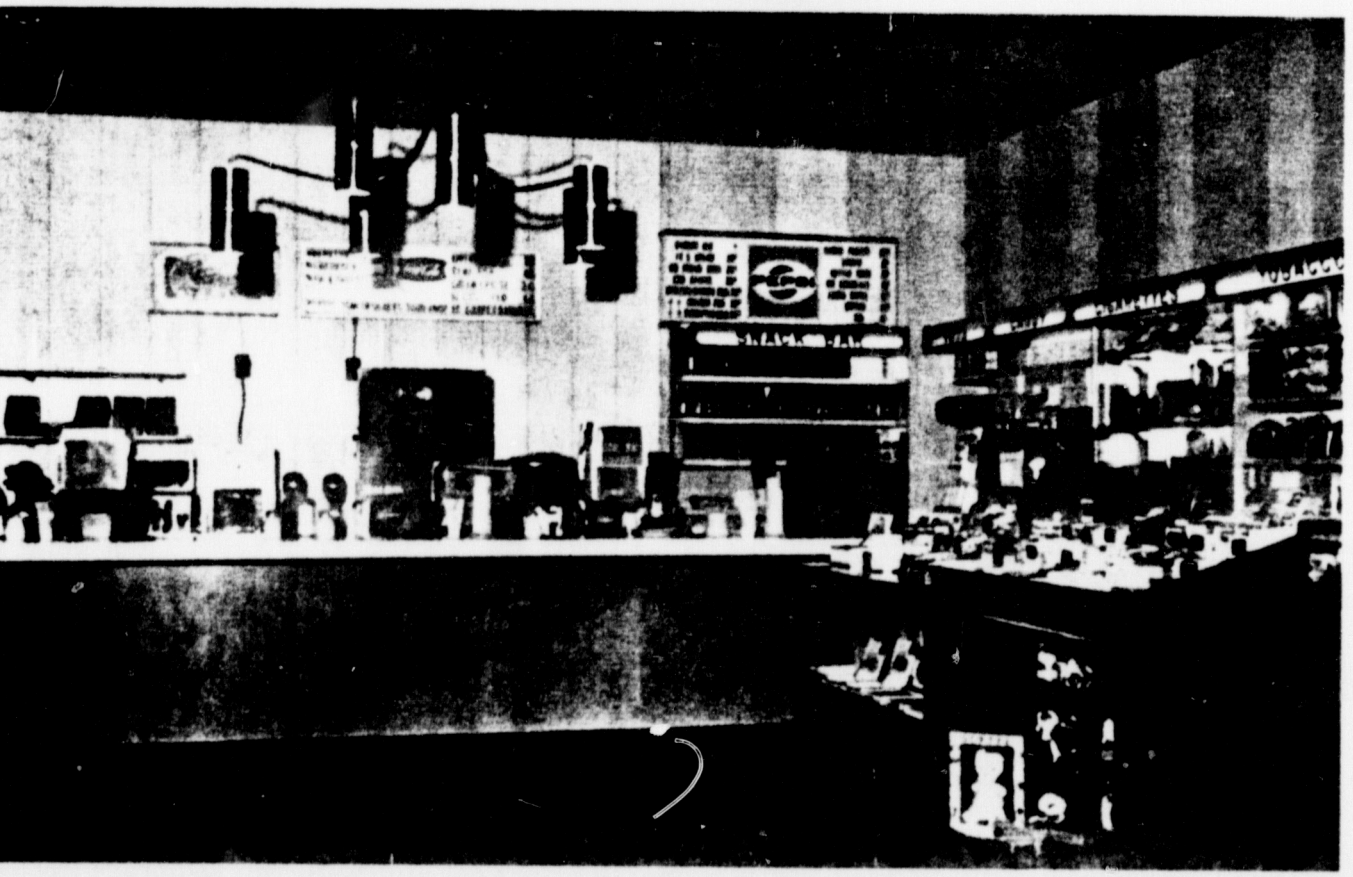
The American Match Company has greatly increased its share of the profitable Specialty Match business. The continuing build-up of the sales organization promises further sales increases. To handle the greater volume, we are now enlarging the Zanesville plant and installing additional equipment.

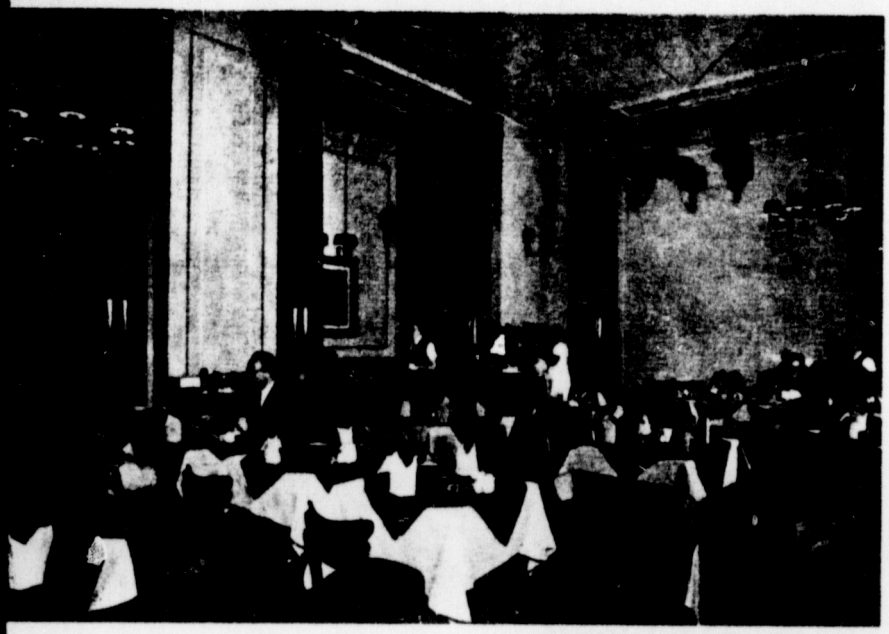
Advertising specialty sales have also shown a substantial rise. This division works closely with The American Match Company; it has benefited greatly from the expansion in the specialty match sales force. This division expects to continue the steady growth it has enjoyed since 1958.

Savarin Restaurants added several successful units during 1965 and the beginning of 1966. The most important of these is Guy Lombardo's East Point House on the waterfront in Freeport, L. I. This unit is pictured on the inside front cover. Other restaurants were added in Florida and California.

To our operations in Miami's Orange Bowl, the State Fair in Louisville, Kentucky and the Syracuse Stadium, we have just added the Freeport Municipal Stadium, which features stock-car racing, boxing, football and other events.

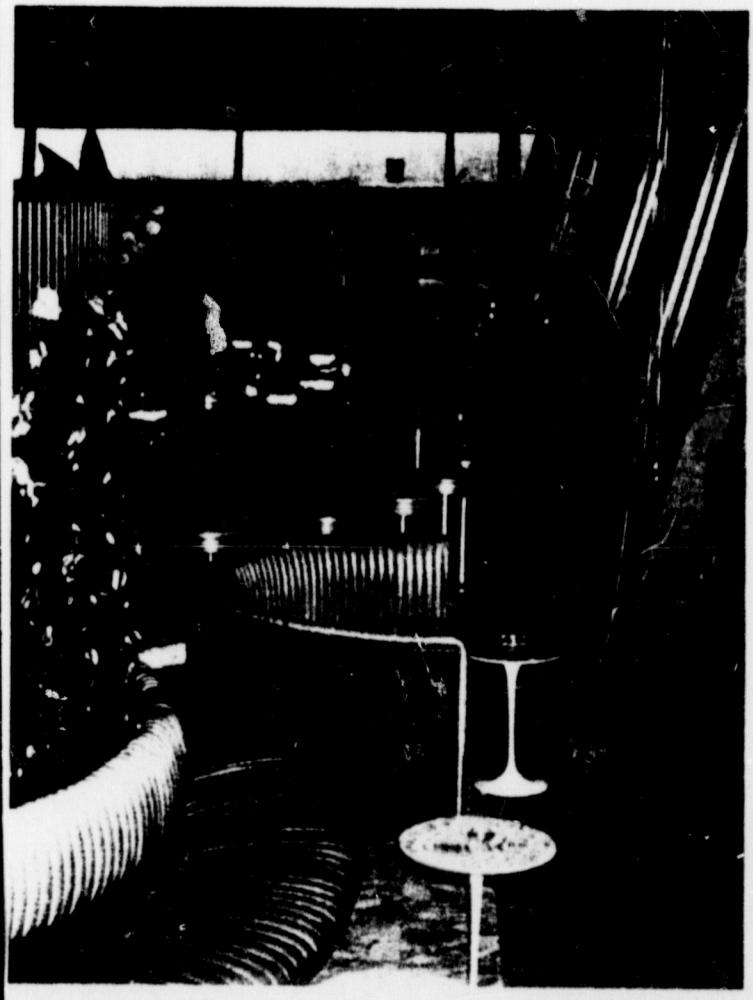
Union News and Savarin units continue to serve countless commuters and travellers. We are maintaining our program of renovating facilities where traffic warrants. Shown here: One of our improved newsstands in New York's Grand Central Station (left) and the rebuilt snackbar in Baltimore's Pennsylvania Station (below).

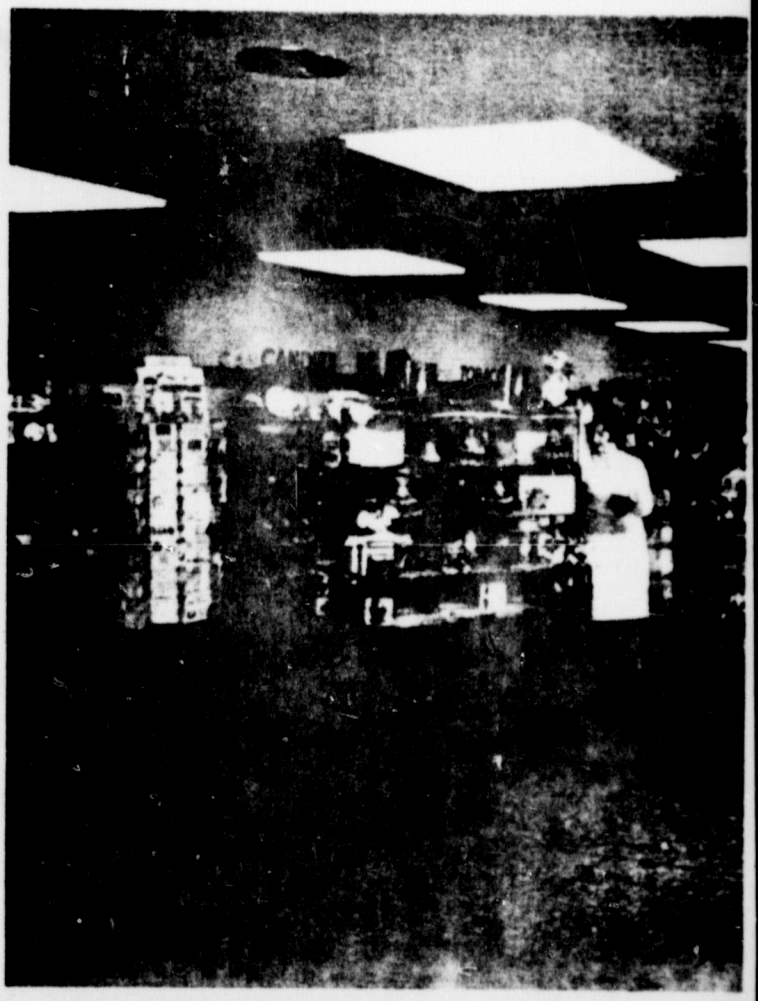


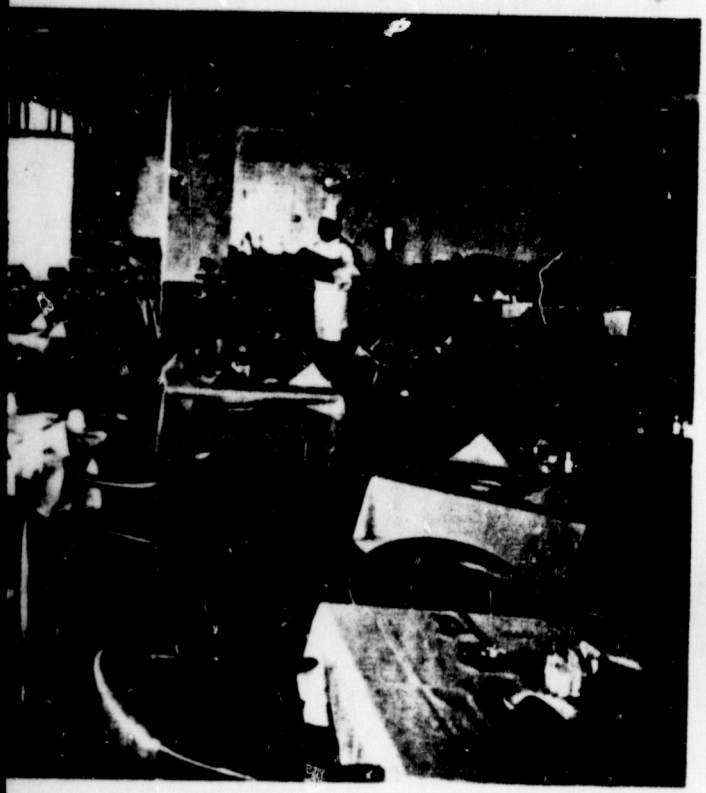


Union Station in Washington, D. C. is one of the nation's busiest railroad terminals. The proposed high-speed rails from Boston and New York to Washington would greatly increase its traffic. We have just concluded a complete renovation at Union Station, including: Dining Room (left), Newsstand (center) and Cocktail Lounge (bottom). Other new facilities in this terminal are: Cafeteria, Banquet Room, Snackbars and Giftshop.

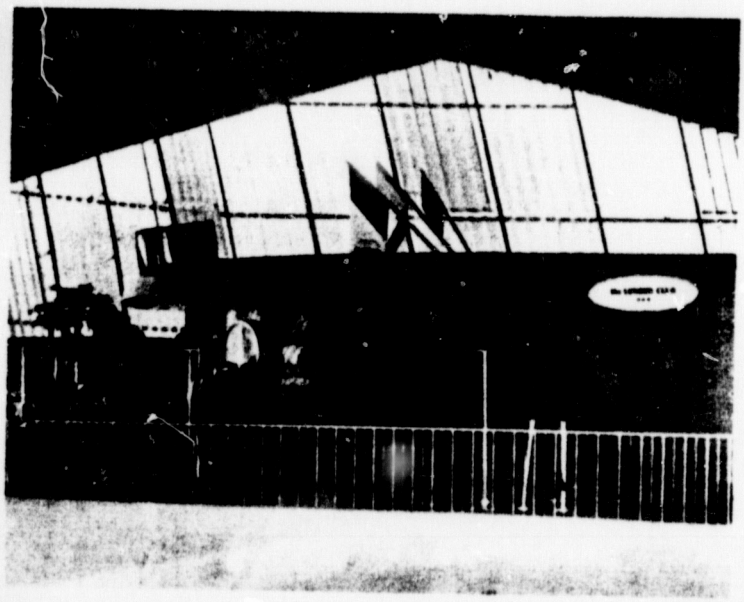
In recent years, we have moved aggressively into Airports and have shared in their rapidly growing volume. We have installations at more than twenty Air Terminals in all parts of the country. We operate snackbars, coffee shops, cocktail lounges, gourmet restaurants, newsstands, giftshops and in-flight kitchens. Shown below is the restaurant in Dulles Airport, which serves Washington, D. C.

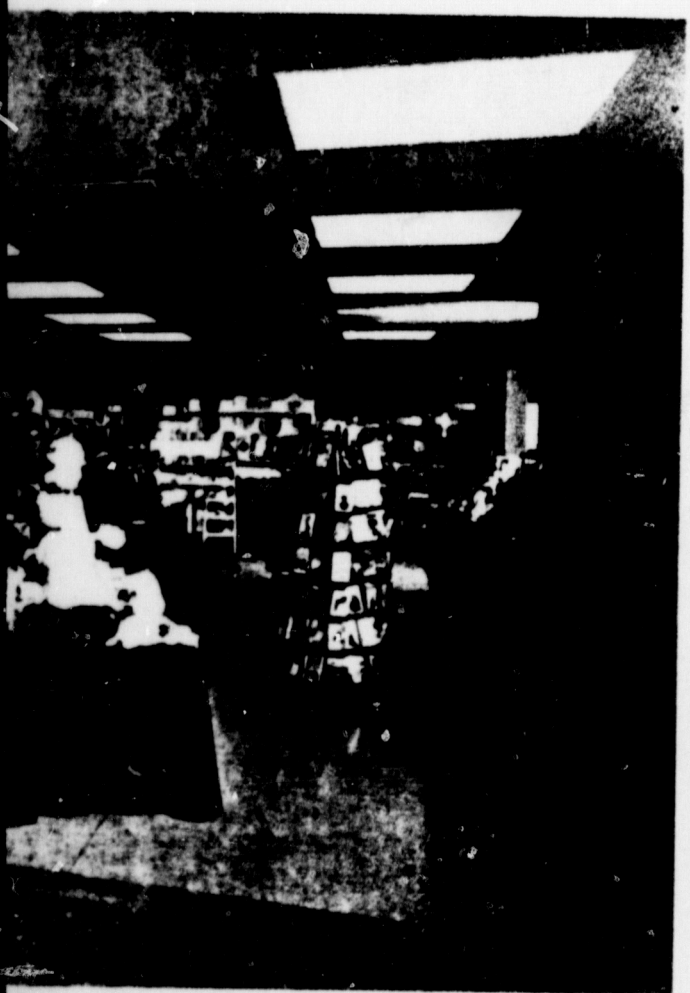




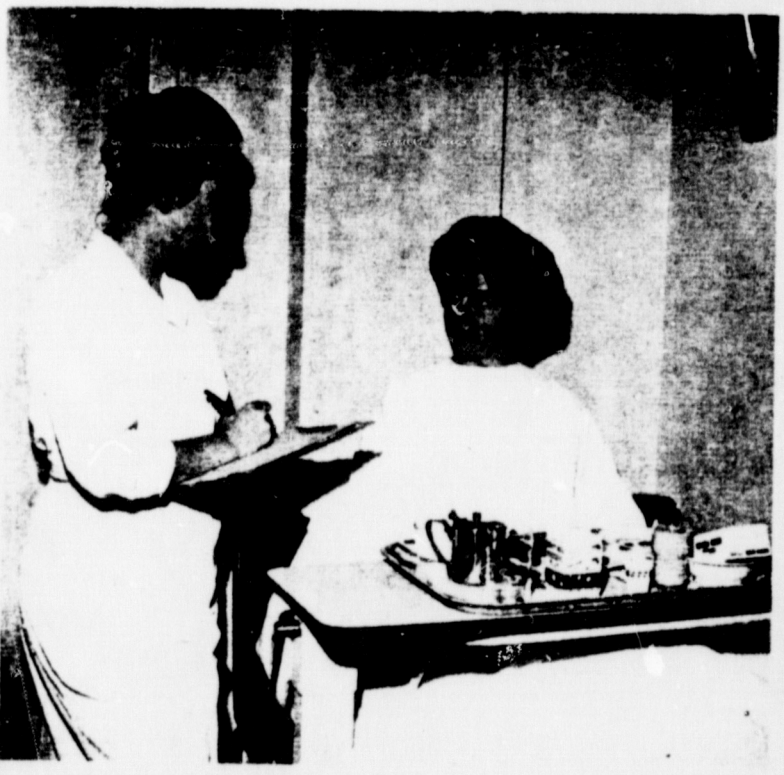


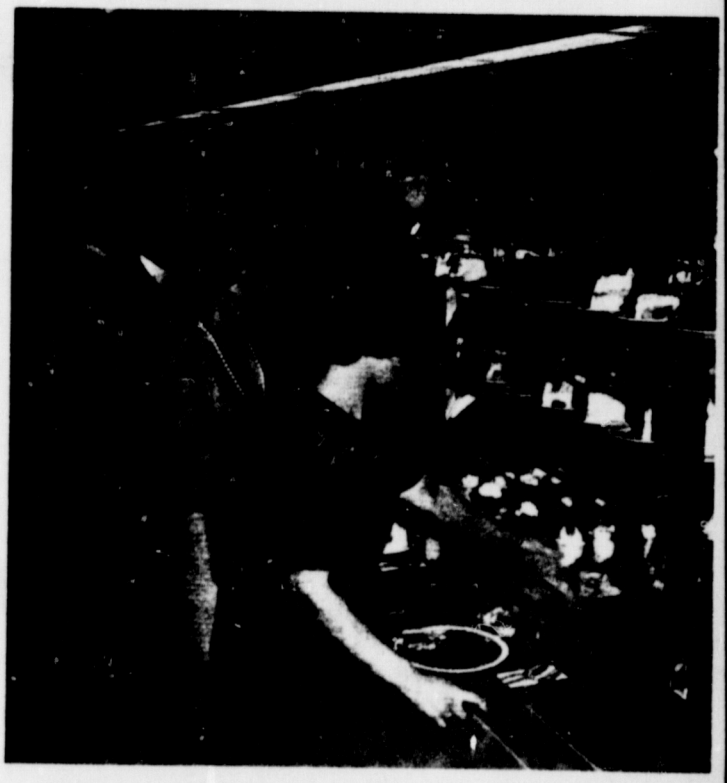
Two of the units at the Oakland, California Airport are shown in the center. Below are two of our many operations at New York's John F. Kennedy Airport.

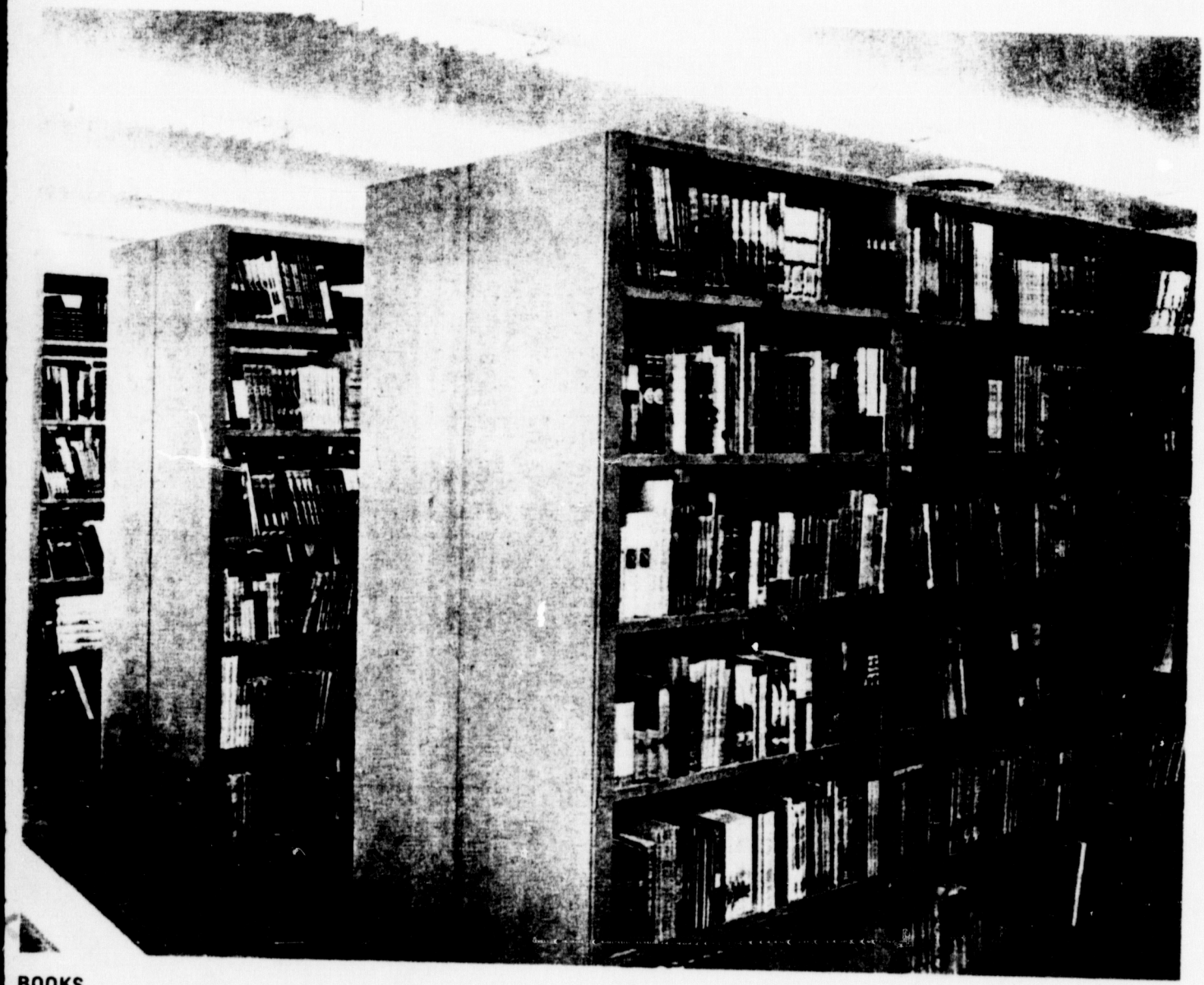




For more than thirty-five years, Crotty Brothers, has pioneered in industrial feeding, excelling in quality and service provided to Hospitals, Nursing Homes, Schools, Colleges, Plants and Offices. Shown here are typical Crotty installations.







BOOKS

Our extensive selection of books enables each branch to give complete and fast service to Schools, Colleges, Libraries and Retailers. The inventory includes not only best sellers, but also classics, children's books and reference books; a recent count showed more than 125 different Bibles and over 250 different English Language Dictionaries.

STATIONERY

No photograph could ever show the full stationery line we carry — up to thirty-thousand items in the larger branches, the most complete line available anywhere. The magnitude of our stationery business can best be measured by the five hundred railroad cars which would be required to move our annual volume.

The American News Company and Subsidiaries

Consolidated Statement of Income and Retained Earnings

Years Ended December 31, 1965 and January 1, 1965	1965 (Dec. 31, 1965)	1964 (Jan. 1, 1965)
Net sales	$125,239,880	$123,435,226
Costs and expenses:		
Cost of sales	67,235,798	65,700,850
Selling, general and administrative expense	51,996,771	52,523,441
Depreciation and amortization	1,910,727	1,975,242
	121,143,296	120,199,533
Operating income	4,096,584	3,235,693
Other income, net:		
Miscellaneous income	777,552	596,260
Interest expense	410,031	377,734
	367,521	218,526
Income before provision for federal income taxes	4,464,105	3,454,219
Provision for federal income taxes (Note 3)	1,954,000	1,480,000
Net income (Note 4)	2,510,105	1,974,219
Retained earnings, beginning of year	20,144,006	19,670,040
	22,654,111	21,644,259
Cash dividends, $1.00 per share	1,485,066	1,500,253
Retained earnings, end of year	$ 21,169,045	$ 20,144,006

The accompanying notes are an integral part of the financial statements.

The American News Company and Subsidiaries

Consolidated Balance Sheet

At December 31, 1965 and January 1, 1965	1965 (Dec. 31, 1965)	1964 (Jan. 1, 1965)
Assets:		
Cash	$ 5,048,363	$ 5,214,596
Receivables, less allowances: 1965—$140,000, 1964—$110,000	11,708,218	9,440,062
Inventories, at the lower of cost or market	12,826,517	11,735,482
Total current assets	29,583,098	26,390,140
Fixed assets, at cost:		
Land and buildings	5,177,154	5,405,273
Fixtures, equipment and leasehold improvements	23,519,806	23,318,713
	28,696,960	28,723,986
Less, Accumulated depreciation	12,158,006	11,568,055
	16,538,954	17,155,931
Investments, deferred charges and other assets	3,908,431	2,853,738
	$50,030,483	$46,399,809

Notes to Financial Statements

1. The 4⅞% notes payable are due in annual instalments of $389,000 from 1966 to 1983, inclusive, with certain prepayment privileges available to the Company. The loan agreement contains certain minimum working capital requirements and cash dividend and stock repurchase restrictions. At December 31, 1965, approximately $3,122,000 of retained earnings was free of such restrictions.

2. The Company has a stockholder approved stock option plan under which options to purchase an aggregate of 37,675 shares were outstanding at December 31, 1965 as follows:

Number of Shares	Option Price Per Share	Expiration
35,000	$14.01	1966
150	20.90	1969
1,325	19.12	1973
1,200	22.13	1970

	1965 (Dec. 31, 1965)	1964 (Jan. 1, 1965)
Liabilities:		
Accounts payable and accrued expenses	$12,079,032	$ 9,835,533
Notes payable	1,000,000	1,000,000
Federal income taxes	1,575,120	405,200
Current portion of long term notes payable (Note 1)	689,000	300,000
Total current liabilities	15,343,152	11,540,733
Long term notes payable:		
4⅞% due December 1, 1983 (Note 1)	6,611,000	7,000,000
Other at 2%, due 1967 and 1968	600,000	900,000
	7,211,000	7,900,000
Deferred federal income taxes	646,869	542,607
Stockholders' Equity:		
Capital stock, no par value, authorized, 2,000,000 shares (Note 2); Issued: 1965– 1,763,000; 1964—1,728,000	11,289,049	10,800,000
Retained earnings (Note 1)	21,169,045	20,144,006
	32,458,094	30,944,006
Less, Shares in treasury at cost:		
1965—283,072; 1964—230,247	5,628,632	4,527,537
	26,829,462	26,416,469
	$50,030,483	$46,399,809

Options to purchase 1,200 shares at $22.13 (100% of market value) were granted in 1965; all other options were granted in prior years at 95% of market value at date of grant. During 1965 options to purchase 35,000 shares and 75 shares were exercised at $14.01 and $19.12 per share, respectively. There were no shares reserved for additional options at December 31, 1965.

3. Provisions for federal income taxes were reduced by $103,000 in 1965 and $134,000 in 1964, through use of investment credits, and by $100,000 in 1964 resulting from use of a loss carry forward.

4. Net income for the years 1965 and 1964 includes $192,000 and $123,000, respectively, arising from cash refunds, net of tax effect, attributable to prior years' pension overfunding. The amounts of these refunds do not vary materially from estimated annual amounts determined to be recoverable, on an actuarial basis, over the estimated recovery period.

5. A substantial portion of the Company's operations is conducted under lease and concession agreements providing for rental payments computed under various methods. Aggregate rentals for 1965 were approximately $3,700,000 on long-term leases, which have an average life of 7 years from December 31, 1965.

The American News Company and Subsidiaries

Statement of Source and Application of Funds

Years Ended December 31, 1965 and January 1, 1965	1965 (Dec. 31, 1965)	1964 (Jan. 1, 1965)
Source:		
Net income	$2,510,105	$1,974,219
Depreciation and amortization	1,910,727	1,975,242
Increase in deferred federal income taxes	104,262	94,607
	4,525,094	4,044,068
Sale of capital stock	489,049	—
Increase in long term debt	—	900,000
	$5,014,143	$4,944,068
Application:		
Dividends paid	$1,485,066	$1,500,253
Net additions to fixed assets	1,252,291	411,725
Acquisition of treasury stock	1,101,095	105,907
Increase in other assets	1,096,152	88,929
Decrease in long term debt	689,000	—
	5,623,604	2,106,814
Increase (decrease) in working capital	(609,461)	2,837,254
	$5,014,143	$4,944,068

Auditors' Report

To the Stockholders and Board of Directors of The American News Company:

We have examined the consolidated balance sheet of THE AMERICAN NEWS COMPANY and subsidiaries as of December 31, 1965 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the year ended January 1, 1965.

In our opinion, the aforementioned statements present fairly the consolidated financial position of The American News Company and subsidiaries at December 31, 1965 and January 1, 1965, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have made a similar examination of the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the basic financial statements, presents fairly the sources and application of funds of The American News Company for the years ended December 31, 1965 and January 1, 1965.

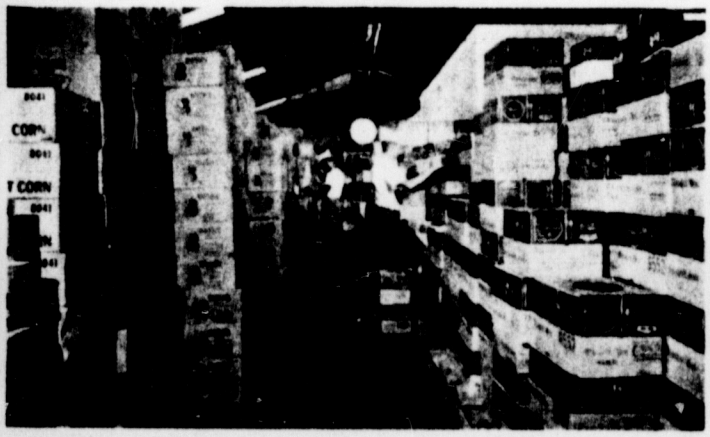
Lybrand, Ross Bros & Montgomery

New York, March 4, 1966.

PRINTED IN U.S.A.

American News expands into the Gulf of Mexico with the acquisition of Boatel, caterer to the oil industry.

From its modern commissary in Belle Chase, Louisiana, Boatel supervises and supplies installations in the entire Gulf. Pictured are: Portion of warehouse (A), butcher shop (B), a free floating rig (C), where Boatel prepares and serves all meals (D) and maintains spotless quarters (E).



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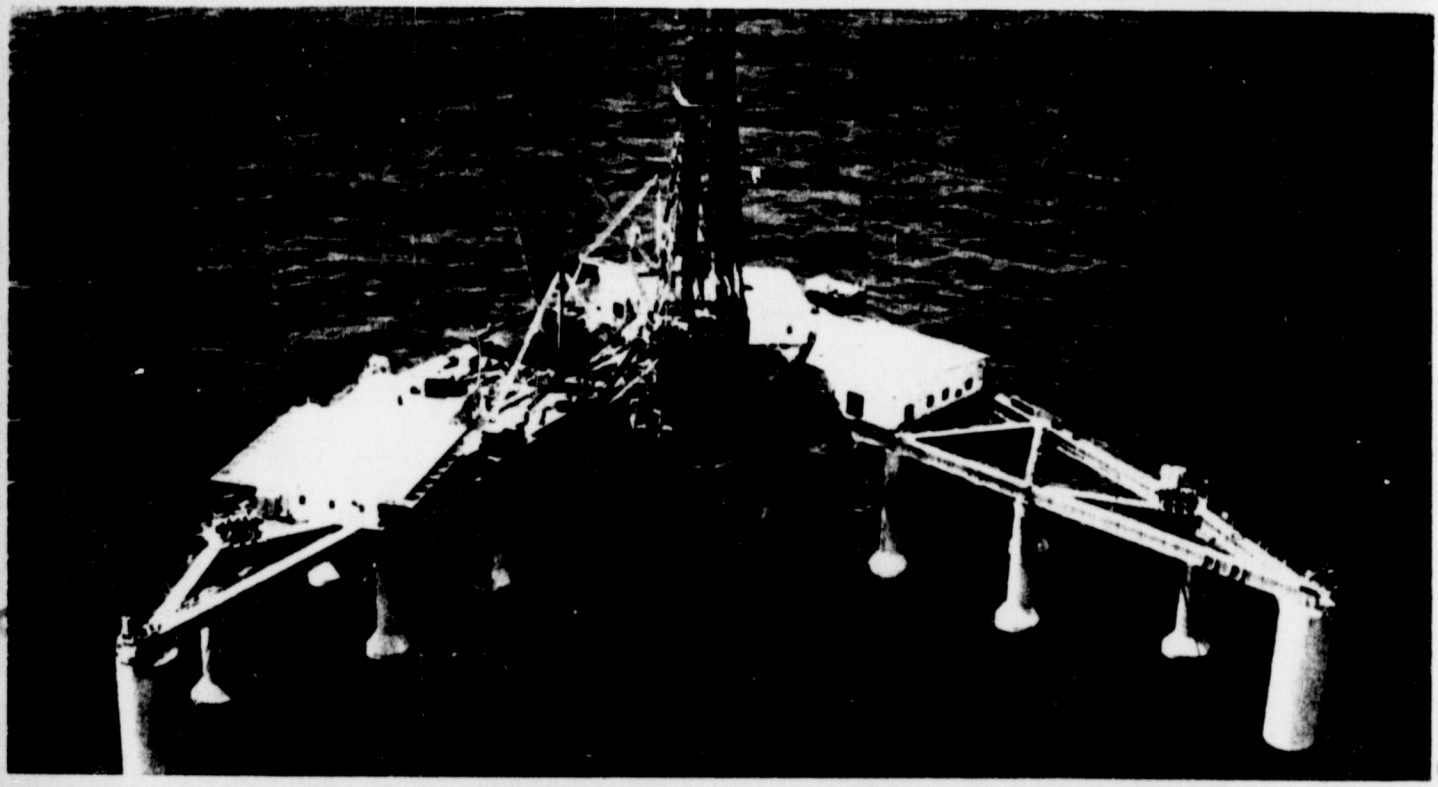

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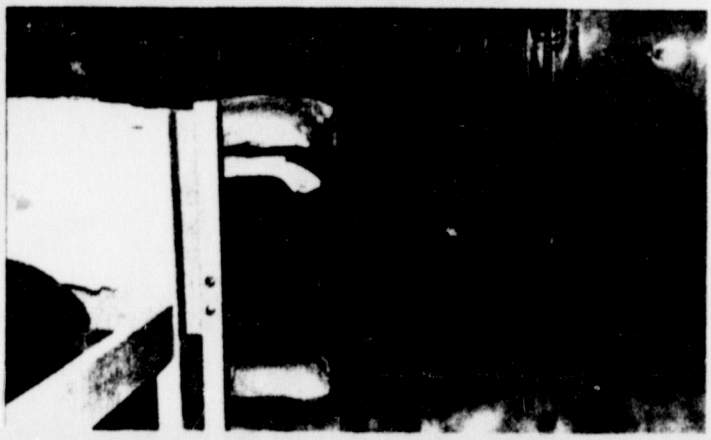
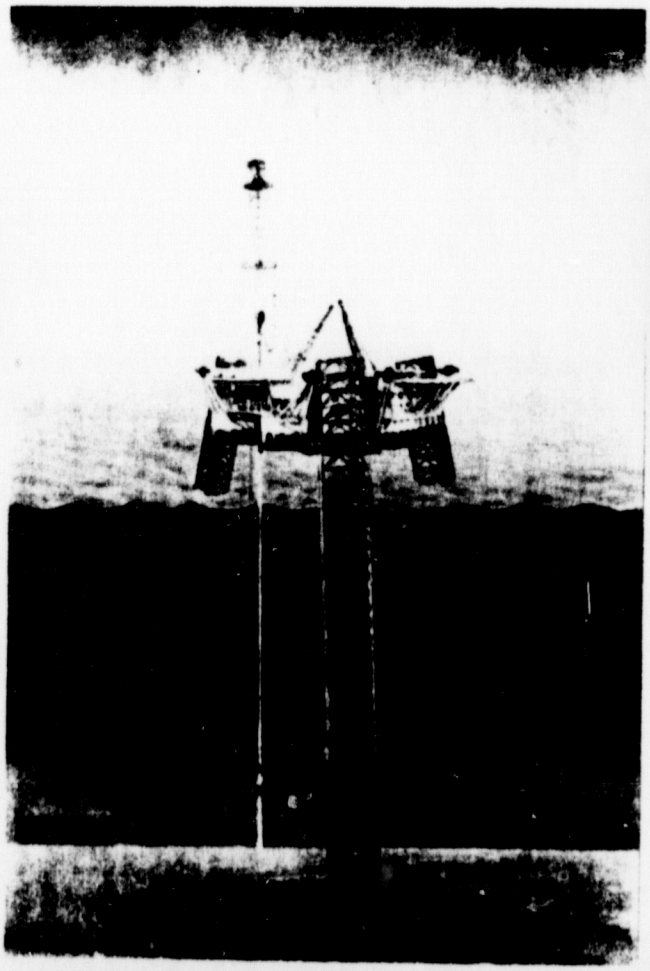


E

BOATEL -
the newest addition to

ANC

Drilling Tender (A) on which the Deck and Engine Department furnishes the ship's crews and maintains all machinery (B) and the Catering Department performs all housekeeping functions (C). The free floating rig (D) is one of the most modern serviced by Boatel.



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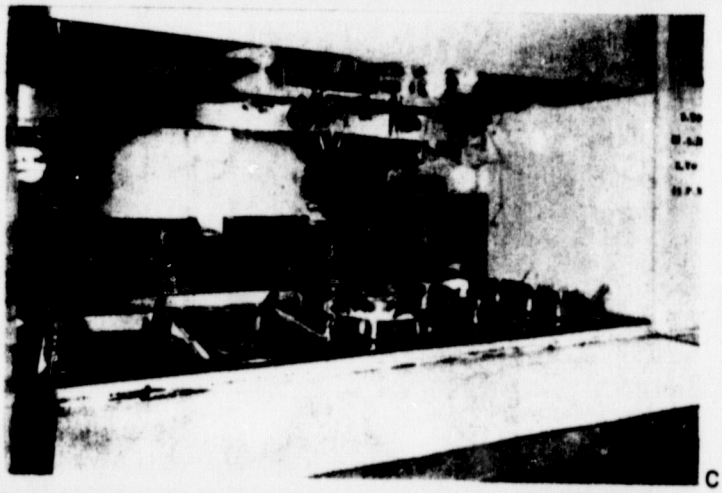

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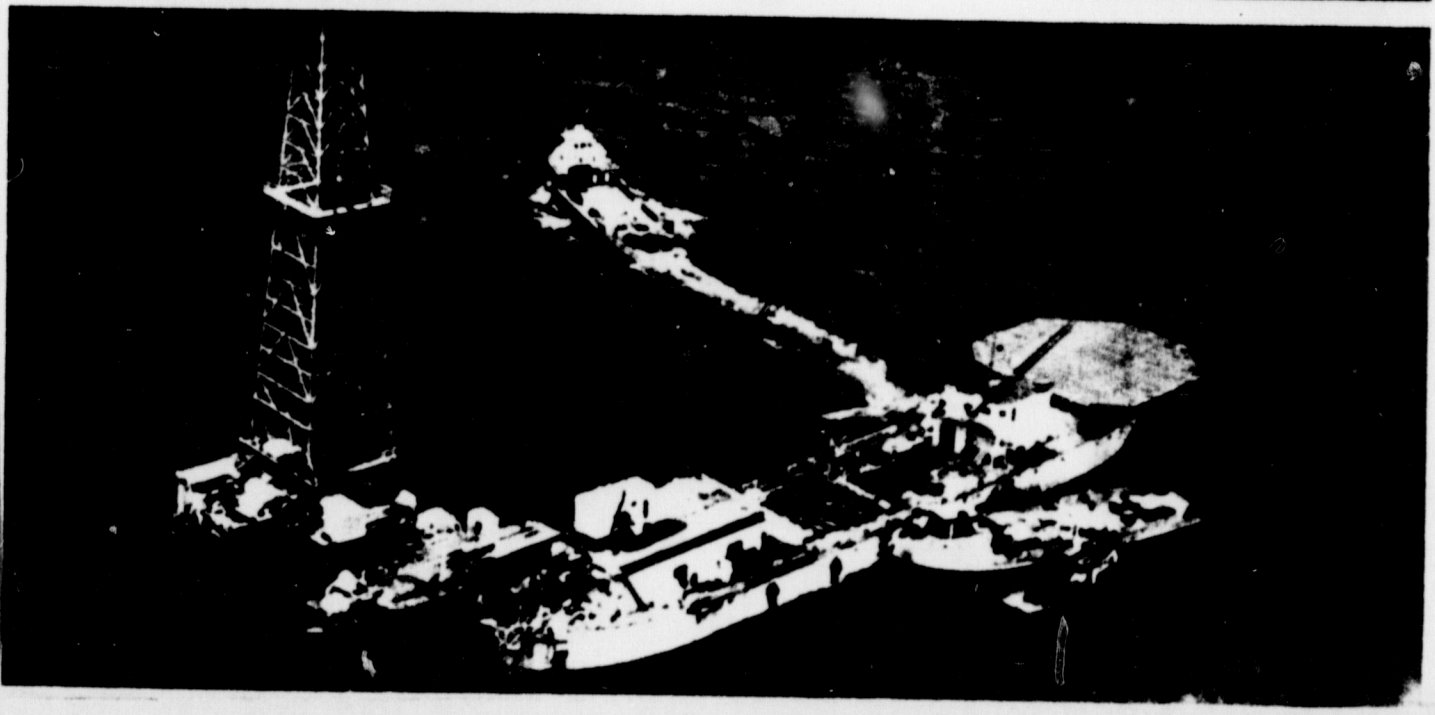

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The American News Company

Annual Report 1966

American News Company—A World of Food

The cover and the gatefold attempt to portray the wide range of our activities. Food and feeding services constitute the major portion of these activities.

Restaurants, coffee shops, snackbars, coffee carts, industrial and institutional food services, banquet catering, in-flight feeding and vending installations produce about 60% of the sales dollar.

Our other divisions are also greatly involved in the world of food. Newsstands sell candies, cookies, pretzels and other edibles. Cook books are always among the best sellers of our Book Division. The Match Division manufactures matches for thousands of restaurants and leading food processors. The Stationery and Advertising Specialty Divisions supply stirrers, napkins, coasters, ashtrays and similar items to restaurants.

THE ALL PURPOSE COOKBOOK
JOY
OF COOKI
Coke
SAVARIN
LIFE SAVERS
LIFE SAVERS

Year at a Glance

	1966	1965	% Increase
Net sales	$131,117,205	$125,239,880	4.7
Net income	2,758,847	2,510,105	9.9
Per share†	1.80	1.66	8.4
Dividends paid	1,534,835	1,485,066	
Per share	1.00	1.00	
Working capital	15,530,933	14,239,946	9.1
Stockholders' equity	28,374,021	26,829,462	5.8
Equity per share†	18.46	17.77	3.9

† Adjusted for 2% stock dividend in 1966.

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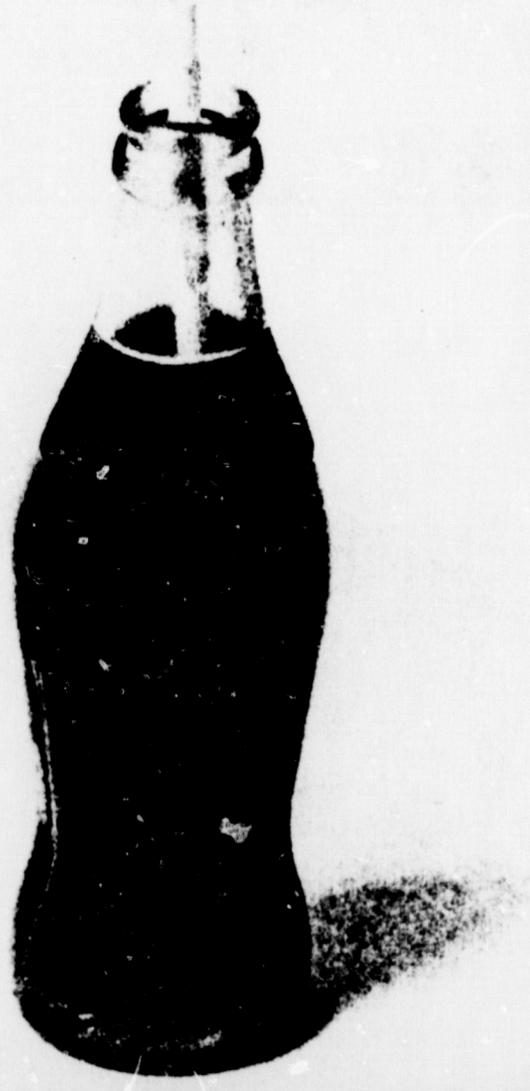
1 Year at a Glance
2 President's Letter
3 7 Year Statistical Summary
4 Directors and Officers
5 Review of Operations
8 Consolidated Balance Sheet
10 Consolidated Statement of Income and Retained Earnings
11 Statement of Source and Application of Funds
12 Notes to Financial Statements
12 Auditors' Report



ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Wednesday, March 29, 1967, at 11 A.M., at The American News Company offices at 131 Varick Street, New York City.

The President's Letter

FELLOW SHAREHOLDERS:

We are pleased to submit to you the results of the Company's operations for the year 1966.

On a 5% increase in sales, net income rose 10% to $2,758,847. Operating income increased $1,057,000 or 25%, while miscellaneous income decreased $390,000. Most of this decrease arises from gains on several buildings sold in 1965 compared to no such gains in 1966. The effective rate of Federal Income Tax increased from 44% in 1965 to 46% in 1966 due to the benefit of the lower rate on capital gains in 1965 and the substantial reduction of investment credits available. The improvement in earnings, though less than expected, represents a real achievement in overcoming the losses caused by the many strikes of 1966, which restricted our markets.

The Review of Operations gives detailed information by division about the progress we have made in 1966 and the steps we have taken to further enhance our basic strength and assure future growth. Your management looks forward with confidence to further increases in earnings in 1967 and future years.

Respectfully submitted,

President

March 1, 1967

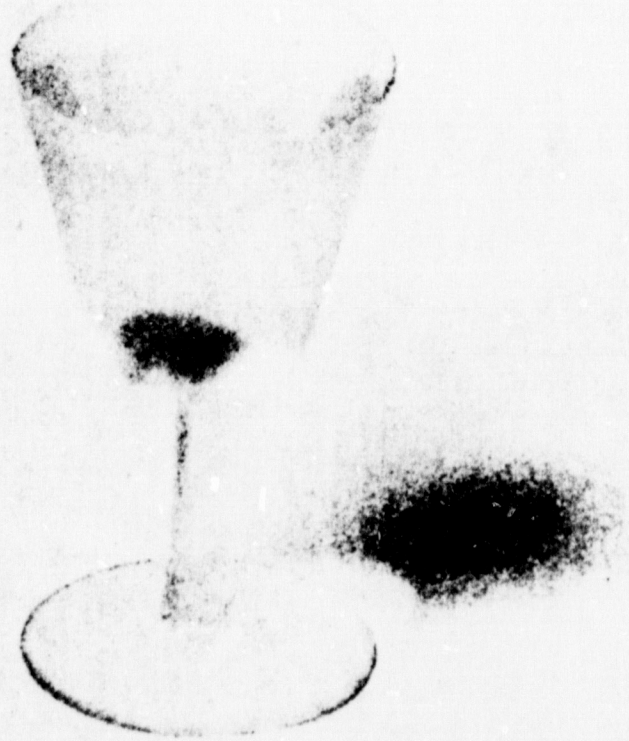
Seven Year Statistical Summary

The American News Company and subsidiaries

	1966	1965	1964	1963	1962	1961	1960
For the year:							
Net sales*	131,117	125,240	123,435	131,906	131,647	126,225	120,041
Income before Federal income taxes*	5,109	4,464	3,454	2,119	1,254	3,666	3,610
Net income*	2,759	2,510	1,974	1,252	986	2,039	1,971
Percent of net income to:							
Sales	2.10%	2.00%	1.60%	.95%	.75%	1.62%	1.64%
Stockholders' equity	9.72%	9.36%	7.47%	4.81%	3.67%	6.95%	6.83%
Dividends paid*	1,535	1,485	1,500	1,528	1,558	1,589	1,598
Amount per share:							
Net income†	1.80	1.66	1.29	.82	.63	1.26	1.22
Dividends paid	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Stockholders' equity†	18.46	17.77	17.29	16.99	17.23	18.10	17.84
At year end:							
Current assets*	32,254	29,583	26,390	29,196	29,204	30,501	27,164
Current liabilities*	16,723	15,343	11,541	17,184	17,447	20,846	16,501
Working capital*	15,531	14,240	14,849	12,012	11,757	9,655	10,663
Ratio	1.9	1.9	2.3	1.7	1.7	1.5	1.6
Long term debt*	6,522	7,211	7,900	7,000	6,000	—	—
Stockholders' equity*	28,374	26,829	26,416	26,048	26,837	29,357	28,877
Shares issued and outstanding*†	1,537	1,510	1,528	1,533	1,558	1,622	1,619
Shareholders	5,500	5,400	5,300	4,200	4,000	3,900	4,100

* In thousands.

† Adjusted for 2% stock dividend in 1966.



The American News Company

DIRECTORS

Andrew J. Crotty, Jr.
Leo F. Daley
Oscar A. Doob
Herbert Frilen
Henry Garfinkle
Michael J. Kilfeather
Harry Marley
William A. McCollough
Charles F. McKhann
Allan Molasky
John A. Murphy
Maxwell M. Rabb

CORPORATE OFFICERS

Henry Garfinkle, President
Herbert Frilen, Executive Vice-President
William A. McCollough, Vice-President
John A. Murphy, Vice-President
William J. Bliss, Secretary & General Counsel
Michael J. Kilfeather, Treasurer
Harry A. Lauer, Controller

DIVISIONAL OFFICERS

Joseph M. Christie, Vice President—Books
Robert C. Dennis, Vice-President—Matches
Ralph Florea, Vice-President—Advertising Specialties
John Lacerra, Vice-President—Stationery
Chester W. Crater, Asst. Vice President—New York Wholesale Branch
Alfred D'Ambrosio, Asst. Vice-President—Union News Division
Abraham H. Fogel, Asst. Vice-President—Nemrow Division
John P. Scully, Asst. Vice-President—Labor Relations

OFFICERS OF SUBSIDIARIES

Joseph M. Gately, President—Crotty Brothers, Inc.
John P. Kuchta, President—Boatel, Inc.

TRANSFER AGENT—First National City Bank, New York, N.Y.

REGISTRAR—Manufacturers Hanover Trust Company, New York, N.Y.

The Capital Stock of the Company has been listed on the New York Stock Exchange since 1930.

EXECUTIVE OFFICES: 131 Varick Street, New York, N.Y. 10013

Review of Operations

1966 was another year of progress and accomplishments for The American News Company. The continuing profitability program contributed to further increases in net income. Each of the Company's divisions participated in producing these gains. But 1966 was also a year of problems and challenges, a year of disappointments and frustrations. The year's gains were reduced greatly by strikes, inflation and the uncertainties of the country's economy. The performance of the entire American economy in 1966 fell far short of the favorable predictions made early in the year.

The American News Company suffered greatly from crippling strikes throughout the year. For two weeks, the New York City subway strike paralyzed all local operations. The rapid growth and expansion of our Canadian affiliate was held back by the strike which idled Canadian truckers for more than two months. Prolonged newspaper strikes in New York and Boston reduced sales of all newsstands in those cities. During the eight week strike of Carey Buses, New York's East Side Airline Terminal had no traffic; our extensive food and retail operations in this terminal suffered accordingly. July and August are generally the most profitable months for our many eating facilities, retail units and in-flight kitchens operating in 25 air terminals in all parts of the country. The airline strike during most of this period turned the expected profits into losses.

Inflationary pressures continued unabated during 1966. Our cost of goods and labor continued its steady upward trend. In spite of higher salaries and greater fringe benefits, it became more difficult during 1966 to recruit the competent, reliable employees required to maintain our standards of service. The constant increases in all costs require higher prices to consumers, as only a minor portion of the additional expenditures can be offset by higher productivity.

UNION NEWS. The Union News Division is by far the Company's largest, accounting for more than half of total sales. This division consists of more than one thousand separate enterprises engaged in a variety of different service and retail activities. Food services range from snackbars to gourmet restaurants; they include coffee shops, cocktail lounges, cafeterias, coffee cart service, mobile catering, banquet catering, in-flight feeding and concessions at stadiums, swimming pools, parks and exhibitions halls. The retail operations include newsstands, gift shops, drug stores, book stores and smoke shops. Union News operates primarily in high traffic areas such as transportation terminals—air, rail and bus, office buildings and subways. Union News units are located in principal cities from coast to coast.

During 1966, Union News continued its program of pruning unsatisfactory units, improving all others and adding profitable new units. At the same time, costs and expenses have been further reduced in all areas. The financial performance of each unit is recorded and evaluated at least once each quarter. Thus effective correction can be taken promptly.

The most important expansion of 1966 was the opening of Logan Tower, at Boston's Logan Airport. For more than three years, this leading airport was without a quality restaurant due to the construction of new terminal buildings. The enthusiastic reception Boston accorded to this new venture indicates how sorely it had been missed. Logan Tower offers gourmet dishes in one of the country's most beautiful settings—a decor to match the dramatic view overlooking the busy airport. We also opened a restaurant and a giftshop at Woodrum Airport, Roanoke, Virginia.

Declining passenger traffic at Boston's South Station caused us to reduce our operations in this terminal. At the same time, we acquired newsstands and food service units at Boston's North Station. Our operations at both stations now show satisfactory results. Our various units at New York's Pennsylvania Station are still suffering from the reconstruction of the terminal. We expect operating conditions there to return to normal in the near future. Substantial improvements to existing operations have been planned.

Coffee cart service was increased greatly in New York City through the acquisition of an organization serving twelve of the City's larger office buildings. Further expansion of this service is now under way.

ANCO Vending provides complete vending service, tailored to meet any requirement. Installations range from individual machines to complete automatic cafeterias. Many ANCO installations complement manual food services of Union News and Crotty Brothers. Among the new ANCO Vending operations are Topsam Air Force Base, Brunswick, Maine and Francis I. Dupont, New York City.

The City of Jacksonville Beach, Florida has begun the construction of a new Convention Center and Coliseum. Upon completion of this ocean front facility, Union News will operate restaurant, lounge and refreshment stands. We have also just been awarded the contract for similar operations at the Coliseum in New Orleans. Union News already provides all food and refreshments at the Orange Bowl in Miami, the State Fair Grounds in Louisville, Mac-

Arthur Stadium in Syracuse and Municipal Stadium in Freeport, N. Y.

The growth continues into 1967. We have added employees' cafeteria, snackbar and vending installation at Western Union's headquarters in New York City. The newest retail operation, at the Hotel St. Francis, in San Francisco, combines a liquor store with the newsstand and gift shop.

BOOK DEPARTMENT. 1966 was the best year ever for our Book Division; book sales reached an all time high. Most of this increase is due to federal aid to education, which has become a powerful stimulant for the entire book industry. As federal money has slowly filtered down to local school districts, orders from school libraries have increased greatly. Federal funds so expended will be an invaluable weapon in the fight to raise standards of literacy in the nation's schools. 1966 was only the beginning of this program, 1967 and subsequent years should receive even greater benefits from federal funds.

The Book Division is the Company's second largest and is the world's largest wholesaler of books. American News accounts for up to 30% of sales for many books. Publishers frequently determine the quantity of the initial printings on the basis of advance orders received from the nationwide network of American News branches. 1967 saw 4,400 new fiction titles, both adult and juvenile; we purchased copies of 4,200 titles.

Many libraries prefer the added convenience of receiving books ready for the shelf. For these customers we deliver books jacketed, classified and catalogued. As libraries are increasingly unable to hire qualified help, this complete service becomes more advantageous.

Our monthly publication, The American News of Books, now appears in a new format, greatly expanded. This evaluation of all new books, both adult and juvenile, is an important source of information for every library in the country.

STATIONERY DEPARTMENT. Thirteen branches carry a complete line of stationery, school supplies, office furniture and related merchandise. Most of these branches have recently added a full assortment of art supplies which is rapidly becoming an important segment of the Stationery Department. Each branch carries a complete assortment; the larger branches have about thirty thousand different items in stock, the most comprehensive line available. Our big assortment can best be illustrated by the different makes and types of ball point pens—over 100, and markers—over 35.

Our customers enjoy wide selection from the complete lines of the leading manufacturers. Sales are to retailers, schools, government offices, institutions and other large scale users.

MATCHES. Match operations are the fastest growing division of the Company. But this growth has been inhibited by our inability to expand production facilities as rapidly as the sales organization. During 1966, the Zanesville plant was enlarged once more; but after three expansions, the match factory is still inadequate to cope with the steady increase in match orders. We are completing plans for a second match plant to be constructed in the western part of the United States. This new installation, scheduled to be in operation before the end of 1967, will serve our branches and customers in the western states.

Originally, the Match Division manufactured only resale matches — mass produced matches carrying the imprints of large scale advertisers such as cigarette manufacurers and soft drink bottlers. Since 1961, emphasis has been increasingly concentrated on specialty matches—custom designed matches for restaurants, hotels, banks and other advertisers seeking maximum exposure at minimum cost.

The Match Division celebrated the completion of its first decade in 1966, a decade of growth, expansion and diversification. The continuing build up of our nationwide sales organization assures steady growth for many years to come.

ADVERTISING SPECIALTIES. The Advertising Specialty Deparment has grown with our Specialty Match Operation. These two departments work in close collaboration; they have joined in building one sales organization serving both of them. The department carries a complete selection of advertising specialties, premiums, self-liquidators, calendars and diaries, key chains and money clips, cigarette lighters and ash trays, pens and letter openers; all these carry the customer's advertising message, many are manufactured to our custom design to meet the customer's complete requirements. The department is gift headquarters for many leading corporations, for whom we design and stock gift items

which their branches and dealers can order directly from us.

WHOLESALE BRANCHES. Twenty-six distribution centers serve the entire United States from coast to coast. Each branch sells books, matches, advertising specialties and magazine subscriptions; thirteen branches also sell stationery. San Francisco News Co. moved into its efficient new building during 1966; Washington News Co. will be relocated into a modern building during 1967.

CANADIAN BOOK WHOLESALE COMPANY. Our Canadian subsidiary continues its rapid growth and expansion, which required a move to much larger quarters during 1966. Sales of the Toronto Branch have risen more than three hundred percent during the past five years; we fully expect further sales increases in 1967 and future years.

Canadian Book has become a pioneer in providing complete service to libraries. Most books are delivered ready for immediate use with the necessary catalogue cards.

CROTTY BROTHERS. Since its acquisition in 1960, this pioneer in institutional food service has worked very closely with the Restaurant Division of The American News Company. The combined resources of the two companies have brought further improvements in service and reduction in costs to Crotty's clients. Many of these clients are also served by ANCO Vending which assures them of one responsible operator for all food service.

Crotty Brothers can solve all problems and assure complete satisfaction in meeting the food service requirements of schools, colleges, hospitals, nursing homes, factories and offices. Crotty's growth during 1966 has been primarily in hospitals, nursing homes and convalescent homes. With the impetus of medicare and related programs, this growth will continue.

BOATEL. Since 1953, Boatel has grown with off-shore oil drilling in the Gulf of Mexico. Boatel, first caterer to the oil industry, has been the pioneer in developing the organization, menus and know-how required for flawless food services under arduous conditions. Boatel realizes the importance of employee morale at off-shore installations and other remote locations; its superior quality food and excellent service assure increased efficiency and reduced personnel turnover.

Boatel's Marine Department furnishes complete crews for tenders and other ships, maintains all ship's equipment, handles the corrosion prevention program, and assures proper liason with the U.S. Coast Guard and the The American Bureau of Shipping.

The American News Company purchased Boatel in 1965. It continues as a separate division, working closely with the oil industry; the parent company's experience and resources are always available to help solve all food service problems.

During 1966, Boatel took the first step in a large scale expansion program. Boatel now offers to the oil and construction industries in Alaska the high standards of quality and service previously available only in the Gulf of Mexico. The Anchorage office serves oil drillers in Cook Inlet and construction crews on Kenai Peninsula and the Aleutian Islands. Alaska has become the last frontier of the United States, its vast resources offer unequalled opportunities to those willing to meet its challenges and hardships. Boatel is proud and happy to participate in the growth and development of the 49th State.

NEMROW TOBACCO. The American News Company has taken another step in the continuing program of expansion and diversification. The acquisition of Nemrow will be our initial entry in the field of tobacco wholesale distribution. We have entered into an agreement to purchase the operating assets of Nemrow Brothers and affiliates, a leading New England wholesaler of cigarettes, tobacco products and candy. Nemrow's fifteen branches cover the major metropolitan centers of Massachusetts, Connecticut and Rhode Island. We have arranged for a term loan to finance this cash acquisition.

Nemrow Division will complement our present wholesale and retail operations in New England. The planned integration of these units will reduce expenses, improve efficiency and increase Nemrow's contribution to the Company's net income.

DIVIDENDS. On March 20, 1967, The American News Company will pay dividend #600. Since the first dividend payment in August 1864, the Company has paid consecutive dividends without interruptions. For the past ten years dividends have been paid quarterly, previously six dividends were paid each year. During 1966, the Company distributed a 2% stock dividend in addition to the four quarterly cash dividends.

Consolidated Balance Sheet

The American News Company and subsidiaries

	1966 December 30	1965 December 31
Assets:		
Cash	$ 4,995,919	$ 5,048,363
Receivables, less allowances: 1966—$150,000, 1965—$140,000	12,847,376	11,708,218
Inventories, at the lower of cost or market	14,410,872	12,826,517
Total current assets	32,254,167	29,583,098
Fixed assets, at cost:		
Land and buildings	5,433,684	5,177,154
Fixtures, equipment and leasehold improvements	22,333,949	23,519,806
	27,767,633	28,696,960
Less, Accumulated depreciation	11,417,906	12,158,006
	16,349,727	16,538,954
Investments, deferred charges and other assets	3,663,783	3,908,431
	$52,267,677	$50,030,483

See notes to financial statements.

	1966 December 30	1965 December 31
Liabilities:		
Accounts payable and accrued expenses	$13,405,905	$12,079,032
Notes payable	1,500,000	1,000,000
Federal income taxes	1,128,329	1,575,120
Current portion of long term notes payable (Note 1)	689,000	689,000
Total current liabilities	16 723,234	15,343,152
Long term notes payable:		
4⅞% due December 1, 1983 (Note 1)	6,222,000	6,611,000
Other at 2%, due 1968	300,000	600,000
	6,522,000	7,211,000
Deferred federal income taxes	648,422	646,869
Stockholders' Equity:		
Capital stock, no par value, authorized, 2,000,000 shares (Note 2); Issued: 1966—1,828,303; 1965—1,763,000	12,475,475	11,289,049
Retained earnings (Note 1)	21,688,559	21,169,045
	34,164,034	32,458,094
Less, Shares in treasury at cost: 1966—291,597; 1965—283,072	5,790,013	5,628,632
	28,374,021	26,829,462
	$52,267,677	$50,030,483

Consolidated Income and Retained Earnings The American News Company and subsidiaries

YEARS ENDED DECEMBER 30, 1966 AND DECEMBER 31, 1965

	1966 December 30	1965 December 31
Net sales	$131,117,205	$125,239,880
Costs and expenses:		
Cost of sales	70,399,648	67,235,798
Selling, general and administrative expense	53,500,836	51,996,771
Depreciation and amortization	2,063,061	1,910,727
Operating income	125,963,545	121,143,296
	5,153,660	4,096,584
Miscellaneous income—net	387,587	777,552
	5,541,247	4,874,136
Interest expense	432,400	410,031
Income before provision for federal income taxes	5,108,847	4,464,105
Provision for federal income taxes (Note 3)	2,350,000	1,954,000
Net income (Note 4)	2,758,847	2,510,105
Retained earnings, beginning of year	21,169,045	20,144,006
	23,927,892	22,654,111
Less:		
Cash dividends, $1.00 per share	1,534,835	1,485,066
Stock dividend, 2%, at market value	704,498	—
Retained earnings, end of year	2,239,333	1,485,066
	$21,688,559	$ 21,169,045

See notes to financial statements.

Statement of Source and Application of Funds

The American News Company and subsidiaries

945a

YEARS ENDED DECEMBER 30, 1966 AND DECEMBER 31, 1965

	1966 December 30	1965 December 31
Source:		
Net income	$2,758,847	$2,510,105
Depreciation and amortization	2,063,061	1,910,727
Increase in deferred federal income taxes	1,553	104,262
	4,823,461	4,525,094
Sale of capital stock	481,929	489,049
Decrease in other assets	200,814	—
	$5,506,204	$5,014,143
Application:		
Dividends paid	$1,534,835	$1,485,066
Net additions to fixed assets	1,830,001	1,252,291
Acquisition of treasury stock	161,381	1,101,095
Increase in other assets	—	1,096,152
Decrease in long term debt	689,000	689,000
	4,215,217	5,623,604
Increase (decrease) in working capital	1,290,987	(609,461)
	$5,506,204	$5,014,143

Notes to Financial Statements

1. The 4⅞% notes payable are due in annual instalments of $389,000 from 1967 to 1983, inclusive, with certain prepayment privileges available to the Company. The loan agreement contains certain minimum working capital requirements and cash dividend and stock repurchase restrictions. At December 30, 1966, approximately $4,675,000 of retained earnings was free of such restrictions.

2. The Company has reserved 52,550 shares of its capital stock for issuance under stockholder approved stock option plans, of which 50,000 shares relate to a plan approved in 1966 and 2,550 relate to a plan approved in 1956.

The 1966 plan provides for granting options at a price not less than market at date of grant, exercisable after 18 months and expiring after five years. At December 30, 1966, no options had been granted under this plan.

Options to purchase 2,550 shares relating to the 1956 plan were outstanding at December 30, 1966 as follows:

Number of Shares	Option Price Per Share	Expiration	% of Option Price to Market Value at Date of Grant
153	$20.49	1969	95%
1,173	18.74	1973	95%
1,224	21.69	1970	100%

During 1966, options to purchase 35,700 and 179 shares were exercised at $13.74 and $18.74 respectively. No additional shares may be granted under the 1956 plan. Number of shares and option prices have been adjusted, where applicable, to reflect the 2% stock dividend distributed in 1966.

3. Provisions for federal income taxes were reduced by investment credits of $38,000 in 1966, net of recaptures and disallowances, and $103,000 in 1965.

4. Net income for the years 1966 and 1965 includes $118,000 and $192,000, respectively, arising from cash refunds, net of tax effect, attributable to prior years' pension overfunding. The amounts of these refunds do not vary materially from estimated annual amounts determined to be recoverable, on an actuarial basis, over the estimated recovery period.

5. A substantial portion of the Company's operations is conducted under lease and concession agreements providing for rental payments computed under various methods. Aggregate rentals for 1966 were approximately $3,600,000 on long-term leases, which have an average life of 7 years from December 30, 1966.

6. The Company intends to borrow $3,000,000 at ½% above prime rate from a bank in 1967 to be repaid in 20 equal quarterly instalments. Proceeds of the loan will be used to acquire the operating assets and distributing business of Nemrow Brothers and affiliated companies and to fund certain short-term indebtedness.

7. The Company is a defendant, along with certain publishers and other book distributors, in a treble damage suit brought by the City of Philadelphia in a United States District Court on behalf of itself and others, alleging conspiracy to fix prices on certain juvenile books sold to schools and public libraries. No statement of amounts of damages claimed has been made by the plaintiffs. The Company and its Counsel, litigation uncertainties notwithstanding, are of the opinion that the Company will not become legally liable as a result of this suit, and that the plaintiffs will not be able to sustain their burden of proof to demonstrate that company employees conspired to establish and maintain the price of juvenile books. Accordingly, no provision has been made therefor, other than legal fees accrued through December 30, 1966.

Auditors' Report

To the Stockholders and Board of Directors
of The American News Company:

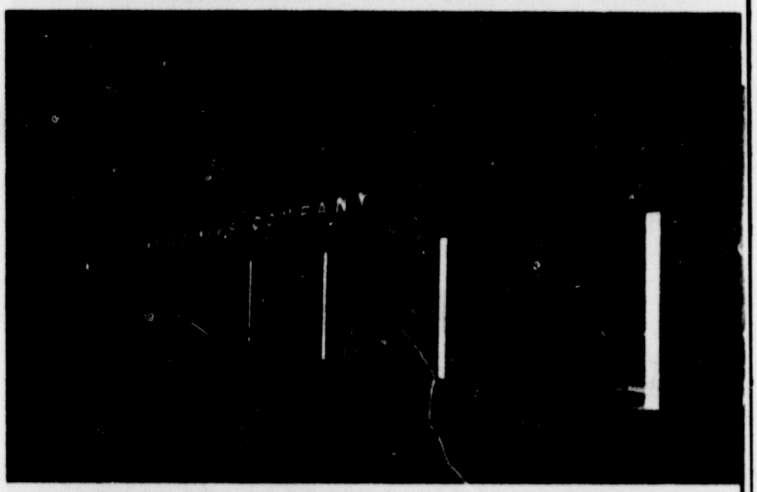
We have examined the consolidated balance sheet of THE AMERICAN NEWS COMPANY and subsidiaries as of December 30, 1966 and the related statement of income and retained earnings and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the year ended December 31, 1965.

In our opinion, subject to the effects, if any, of the outcome of the litigation described in Note 7, the financial statements mentioned above present fairly the consolidated financial position of The American News Company and subsidiaries at December 30, 1966 and December 31, 1965 and the consolidated results of their operations and source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

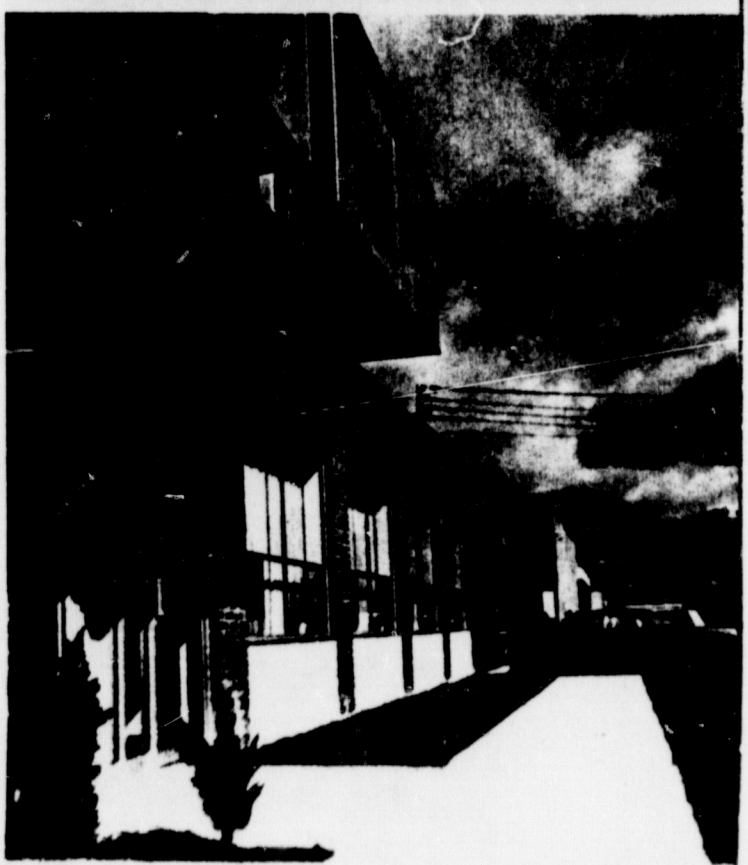
Lybrand, Ross Bros & Montgomery

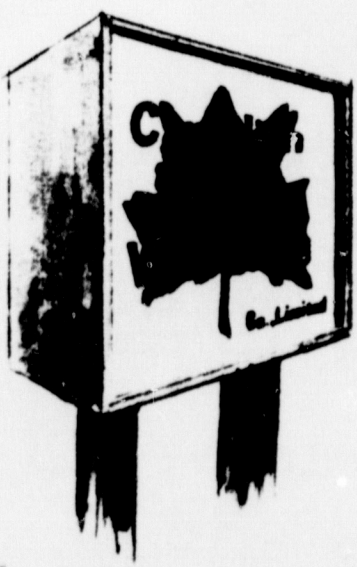
New York, March 1, 1967

The San Francisco News Company moved to this modern building in South San Francisco.

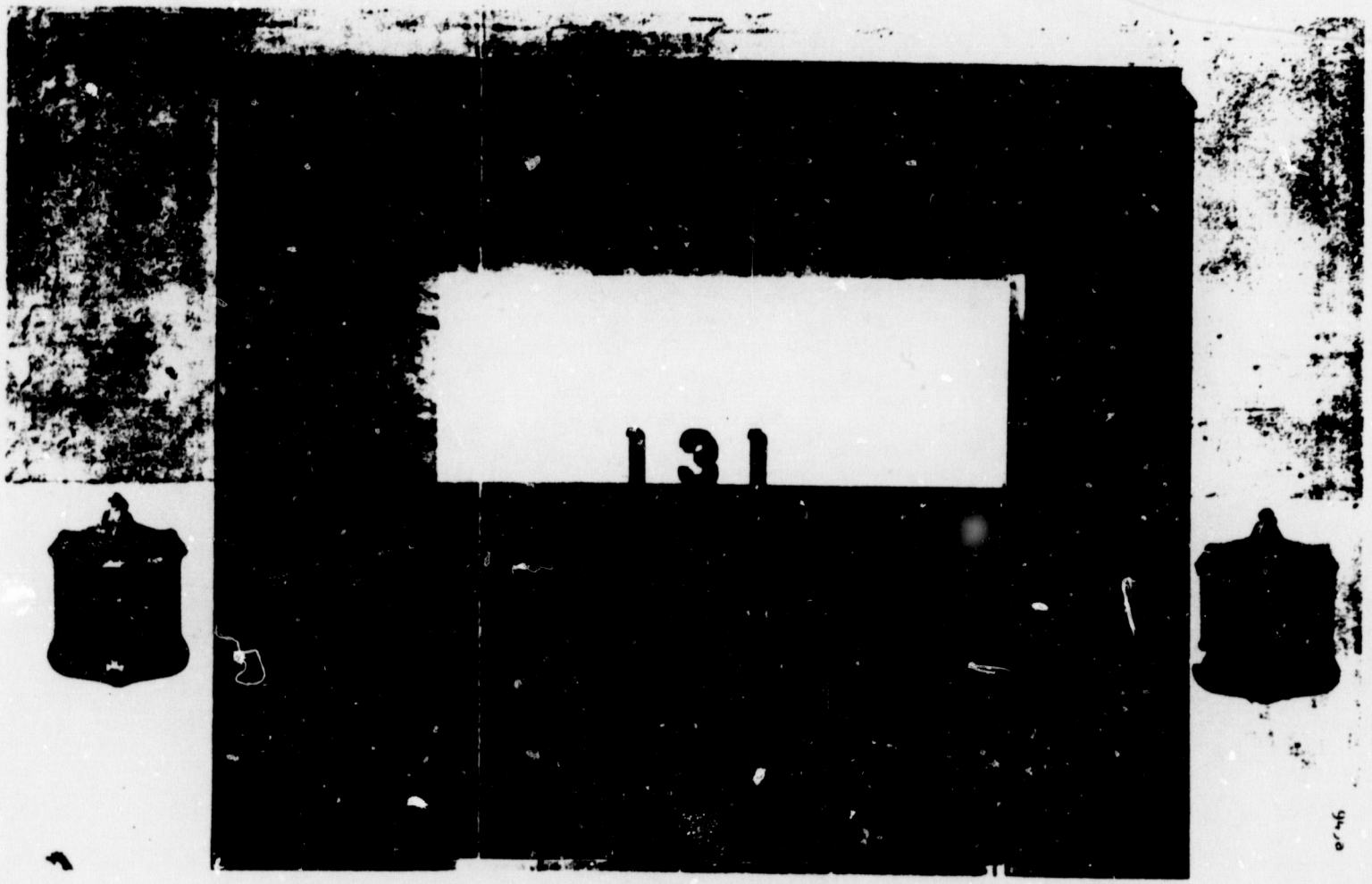


Our Canadian affiliate, Canadian Book Wholesale Co., Ltd., has expanded into larger quarters in Scarborough, Ontario.





The American News Company



The
American
News
Company

Serving America Since 1864

Much has been written and said about the Service Industry in America and your Company is proud of its contribution to such a great industry.

Our Company is equipped to serve the needs of the American public on many levels. The daily newspaper purchased at one of our many newsstands satisfies the need of a buyer hungry for the latest news. Books sold to libraries or educational institutions satisfy the thirst of students for knowledge and information. Our coffee cart service is there at the coffee break which has become a way of life for thousands of employees. Our vending machines of almost infinite variety are ready to refresh on the drop of a coin at countless locations.

From a sandwich to a gourmet banquet for 1500 people, a fish fry for 5,000 people and 24 hour food and nutrition service in a 400 bed hospital, we are ready. Your favorite brand of cigarettes or cigars sold at our retail stands is accompanied by a book of matches manufactured in our own plant.

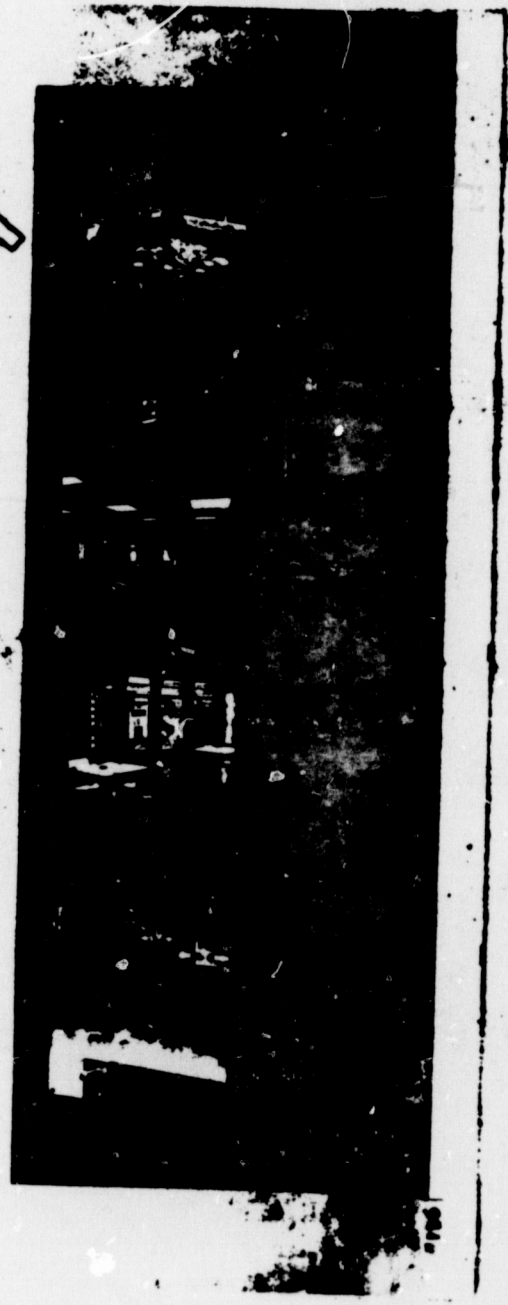
The gatefold map of the United States indicates various areas where major services are available. This, however, is a minimal attempt to show the extent of our activities.

Again, we express pride in our contribution to the Service Industry in America during the year 1967 as we have done continuously since 1864. President Johnson recently requested Americans voluntarily to curtail travel abroad. This should encourage Americans to "See America in 1968" and we are ready to serve the needs of the travelers whether by air, train or automobile.

ABOUT THE FRONT COVER

Reproduced on the cover is the new marble and granite entrance to our Executive Office Building in New York City, designed by our own Engineering Department. The modernization of the entrance and lobby was completed during 1967. We have been complimented by many individuals and building trade organizations for the excellence of our new entrance and lobby. In addition, new modern automatic passenger elevators were installed to complete the modernization program.

SERVING AMERICA SINCE 1864



Year at a Glance

	1967	1966	% Increase
Net sales	$166,723,030	$131,117,205	27.2
Net income	3,084,726	2,758,847	11.8
Per share	2.01	1.80	11.7
Dividends paid	1,534,218	1,534,835	
Per share	1.00	1.00	
Working capital	16,600,546	15,530,933	7.0
Stockholders' equity	29,813,496	28,374,021	5.1
Equity per share	19.46	18.46	5.4

DIVIDENDS

On March 20th 1968, the Company will pay a quarterly dividend of 25¢ per share. This will be dividend No. 604 paid continuously by the Company since its founding in 1864. This dividend payment continues the Company's record for the longest uninterrupted number of quarterly dividend payments of any company listed on the New York Stock Exchange.

ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Wednesday, March 27, 1968, at 11 A.M., at The American News Company offices at 131 Varick Street, New York City.

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15 Statement of Source and Application of Funds
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FELLOW SHAREHOLDERS

The year 1967 was another successful one for your Company making the fourth year in succession we are reporting Increased sales and earnings.

Sales increased 27% and net income rose 12%. The overall results confirm the projections made by your management periodically during 1967.

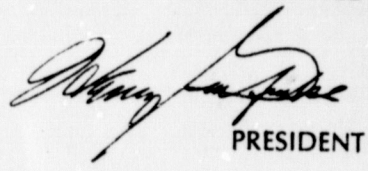
Our financial progress was accompanied by major expansions in plant facilities particularly the completion of our new match plant in Reno, Nevada. In the wholesale division, new and larger buildings were occupied in Detroit and Washington to handle the increased volume of business.

The annual review of operations shows the remarkable progress of the individual divisions of your Company. We maintain an enviable position in the Service Industry and confidently look forward to 1968 and succeeding years barring any economic changes of major proportions.

Our confidence is justified by the strong base developed over the years and reinforced during the past five years.

TO ALL OUR PEOPLE—Our stockholders, our customers and our employees, we express our sincere gratitude for the support and cooperation which made possible the results reported herein.

RESPECTFULLY SUBMITTED



MARCH 1, 1968

PRESIDENT

Eight Year Statistical Summary

The American News Company and subsidiaries

	1967	1966	1965	1964	1963	1962	1961	1960
For the year:								
Net sales*	166,723	131,117	125,240	123,435	131,906	131,647	126,225	120,041
Income before Federal income taxes*	5,540	5,109	4,464	3,454	2,119	1,254	3,666	3,610
Net income*	3,085	2,759	2,510	1,974	1,252	986	2,039	1,971
Percent of net income to:								
Sales	1.85%	2.10%	2.00%	1.60%	.95%	.75%	1.62%	1.64%
Stockholders' equity	10.3%	9.72%	9.36%	7.47%	4.81%	3.67%	6.95%	6.83%
Dividends paid*	1,534	1,535	1,485	1,500	1,528	1,558	1,589	1,598
Amount per share:								
Net income†	2.01	1.80	1.66	1.29	.82	.63	1.26	1.22
Dividends paid	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Stockholders' equity†	19.46	18.46	17.77	17.29	16.99	17.23	18.10	17.84
At year end:								
Current assets*	37,085	32,254	29,583	26,390	29,196	29,204	30,501	27,164
Current liabilities*	20,485	16,723	15,343	11,541	17,184	17,447	20,846	16,501
Working capital*	16,600	15,531	14,240	14,849	12,012	11,757	9,655	10,663
Ratio	1.8	1.9	1.9	2.3	1.7	1.7	1.5	1.6
Long term debt*	7,933	6,522	7,211	7,900	7,000	6,000	—	—
Stockholders' equity*	29,813	28,374	26,829	26,416	26,048	26,837	29,357	28,877
Shares issued and outstanding*†	1,534	1,537	1,510	1,528	1,533	1,558	1,622	1,619
Shareholders	5,400	5,500	5,400	5,300	4,200	4,000	3,900	4,100

* In thousands.

† Adjusted for 2% stock dividend in 1966.

The American News Company

DIRECTORS

Andrew J. Crotty, Jr.
Leo F. Daley
Oscar A. Doob
Herbert Frilen
Henry Garfinkle
Michael J. Kilfeather
Harry Marley
William A. McCollough
Allan Molasky
John A. Murphy
Maxwell M. Rabb

CORPORATE OFFICERS

Henry Garfinkle, President
Herbert Frilen, Executive Vice-President
William A. McCollough, Executive Vice-President
John A. Murphy, Vice-President
William J. Bliss, Secretary & General Counsel
Michael J. Kilfeather, Treasurer
Stanley Simon, Controller

DIVISIONAL OFFICERS

Joseph M. Christie, Vice President—Books
Robert C. Dennis, Vice-President—Matches
Ralph Florea, Vice-President—Advertising Specialties
John Lacerra, Vice-President—Stationery
Chester W. Crater, Asst. Vice President—New York Wholesale Branch
Alfred D'Ambrosio, Asst. Vice-President—Union News Division
Abraham H. Fogel, Asst. Vice-President—Nemrow Division
John P. Scully, Asst. Vice-President—Labor Relations

OFFICERS OF SUBSIDIARIES

William A. Golden, President—Crotty Brothers, Inc.
John P. Kuchta, President—Boatel, Inc.

TRANSFER AGENT—First National City Bank, New York, N.Y.

REGISTRAR—Manufacturers Hanover Trust Company, New York, N.Y.

The Capital Stock of the Company has been listed on the New York Stock Exchange since 1930.

EXECUTIVE OFFICES: 131 Varick Street, New York, N.Y. 10013

The year 1967 was one of stellar performance for your Company in its diverse position in the service industry. Each division of the Company advanced in sales and profits.
The individual report on each division justifies the position of your Company as a leader in the mass merchandising of food, tobacco, books, stationery and allied retail merchandise to industry and consumer.

THE UNION NEWS COMPANY The Company's largest division continued its aggressive growth with the opening of many new facilities across the nation, and with improving and renovating existing facilities.

New York City

Significant progress was made in the metropolitan area with new installations some of which are as follows:

The reconstruction and renovation of the Pennsylvania Railroad's Penn Station is progressing on schedule and approaching the completion date. We have been coordinating our efforts with that of the Pennsylvania Railroad Company, and have already replaced three of our temporary newsstands with modern, attractive installations which have been acclaimed by the traveling public. During the year of 1968, our schedule calls for approximately twelve additional permanent installations consisting of restaurants, bar and cocktail lounge, snack bars, newsstands, liquor store, pocket book store, gift and greeting card shop.

These new, modern and outstanding facilities will produce substantial additional revenues for us far greater than in prior years.

Opposite the new complex of the Pennsylvania Penn Tower and Madison Square Garden is the well known Bake Oven Cafeteria at 31st Street and Seventh Avenue which has been added to our long list of successful and profitable operations.

In the Headquarters of WESTERN UNION at 60 Hudson Street, we opened a cafeteria which serves not only thousands of employees in the building but also the general public. We also provide coffee cart service within the building.

Additional units opened during 1967 consisted of the A. C. Nielsen Employees Cafeteria and the Canteen food service facility for the construction workers at the new General Motors Building.

The growing Coffee Cart services were also further expanded to include additional large office buildings.

Jacksonville, Florida

Upon completion of the construction of the new Jacksonville International Airport scheduled to open in June 1968, we will operate new facilities consisting of a dining room, coffee shop, snack bars, employees' lunch room and newsstand.

Jacksonville Beach, Florida

90 By The Sea Restaurant and Cocktail Lounge. Various Concessions in the new Jacksonville Beach Auditorium.

New Orleans, Louisiana

Snack Bars and Concession stands in the new Municipal Auditorium to service all events at this fine new facility. Among the functions held at this huge auditorium are the famous Mardi Gras Balls starting in December and ending in February, the "Holiday on Ice" show, Operas, Stage Shows, the Circus, Musical Festivals, Boxing, Wrestling and numerous other events.

In addition, we also operate the dining room, cocktail lounges and private banquet rooms where we host wedding receptions and other activities sponsored by various business and fraternal organizations in the New Orleans area.

We were also awarded the Parking Concessions which consist of seven parking lots adjoining the Municipal Auditorium.

At the Loyola University Field House we operate the concession stands, and we also acquired the operation of the City Hall Cafeteria and the Watkins Catering Service.

Washington, D. C.

Sales at the new Sandwich Shop in the Union Station are far exceeding our original projections.

San Francisco, California

New facilities were opened in the Mills Building, Mills Tower, Hotel Stewart, Clift Hotel and Financial Smoke Shop.

New Jersey

We took over the two employees' cafeterias and a full line of vending machine operations in Revlon's plants in Edison and Passaic.

IMPROVEMENTS AND RENOVATIONS As evidence of our continuing program to bring about improvements of our various operations, we are in the process of completely renovating our facilities at 120 Broadway to include a new bar, a new coffee shop and expansion of the dining room which will increase our seating capacity considerably. We recently opened a new snack bar at this location which already has proven highly successful.

In the United Air Line Terminal at John F. Kennedy Airport in New York City, we installed a complete new retail operation and doubled the seating capacity in the Coffee Shop. We have plans under way to double the size of the dining room area and to install a new bar and cocktail lounge. These expansions were made necessary to accommodate the increased traffic due to additional United and Delta flights, and to provide service for the Japanese Air Line and a feeder line operating out of this air terminal.

In Rockefeller Center we completely renovated and enlarged the Savarin Coffee Shop.

Minneapolis-St. Paul International Airport

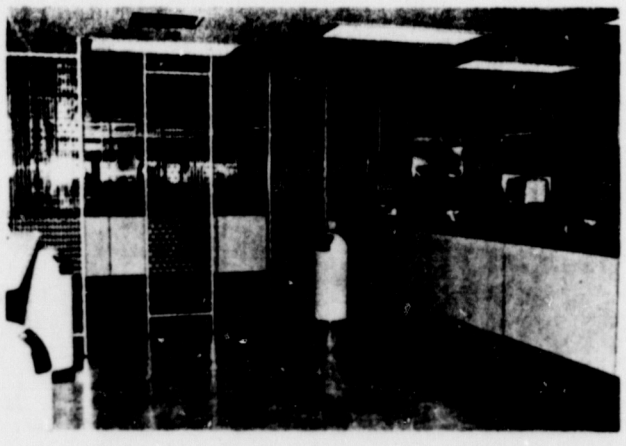
To keep pace with the growing traffic and the expansion taking place at Minneapolis-St. Paul International Airport, we are in the process of expanding the dining room and cocktail lounge to approximately double the present area, renovating the Coffee Shop and installing two new snack bars.

NEW OPERATIONS IN 1968

Our plans for 1968 include projects of major importance.

In the New York City Wall Street area, we will open three new operations. In this area, we presently operate George's Restaurant at 80 Broad Street and the Savarin Restaurant at 120 Broadway where we have the exclusive right to operate the various food and beverage facilities. This large complex of operations include a bar, dining room, coffee shop, a new buffet and take out counter, lunch room, coffee cart service and room service.

The most important of these installations will be made at the AMERICAN STOCK EXCHANGE where we will reconstruct, equip and modernize the restaurant, coffee shop, bar



Savarin Snack Bar and Cocktail Lounge, North Passenger Terminal, John F. Kennedy Airport, New York, N. Y.

and cocktail lounge. These improvements will coincide with plans of the AMERICAN STOCK EXCHANGE to modernize and enlarge the visitors' gallery to twice the size of the present gallery. It is expected that visitors to the American Exchange will number about 400,000 per year, double the current rate. These facilities will not only serve the thousands of vistors coming to the Exchange, but will also accommodate the vast number of employees and the general public.

CALIFORNIA EXPOSITION

We have just concluded negotiations to operate the various concessions in the permanent California Exposition and Fair Grounds in Sacramento, California. We believe this to be one of the most important acquisitions made in recent years. Under a twenty year contract which includes an option to renew for another ten years, we will have the exclusive rights to operate the food, alcoholic beverage, novelty, souvenirs and vending machine concessions. The magnitude of this project can be measured by the fact it covers 630 acres, which will include the Exposition Center, Fair Activities Complex, Industrial Exhibit Area, Recreation Park and the Race Track.

It is expected that an average of five million people will visit the Exposition Grounds each year. During 1968, it will operate for 154 days and during 1969 and thereafter, it will be fully operated for 293 days. To give you a better concept of this operation and the many features of this large Complex, the following description gives a word picture of this tremendous project.

Exposition Center The Heartbeat of the Exposition! Here will be told the colorful and exciting story of California from the days of the early Spanish Conquistadores to a look into the future of the largest and wealthiest state in the Union.

Progressing from the earliest explorers, the visitor will see the story of the Mission Fathers, the gold rush, and the great migrations. California's emergence as an agricultural and industrial giant will unfold in sequence.

Other Expo Center stories will be Report to the People, an intimate look at how State government works for its people; the Good Life, California's fads and fashions, its leisure-time activities, the movies, mountains and beaches; and Education and Culture which will show how Californians are able to realize their full potential through education.

Fair Activities Complex will be the local point for the extended programs of the traditional State Fair where exhibits and displays are modernized to appeal to contemporary tastes. It includes areas for competitive livestock programs, county exhibits, home interests, a model farm, food complex, and superb Floral Theme settings. Spectators can view the entire exhibit facility from elevated walkways and descend into areas of personal or family interest as they choose.

The Fair Activities Complex will showcase other exciting events such as the Fiesta Primavera de California (Spring Festival), Good Life Exposition, California's International Heritage Pageant and the Young Californians' World Fair. Trade shows, livestock sales, sports and entertainment attractions are to be spotlighted at other times to utilize the buildings year-'round.

Industrial Exhibit Area In the Industrial Exhibit area, select companies which have profoundly influenced the State's de-

"The formal signing by our President, Mr. Henry Garfinkle, took place in the office of Governor Reagan at Sacramento, California. Shown in the photograph are Eugene R. Lemmon, General Manager, General Andrew R. Lolli, Director, Department of General Services, State of California, Governor Reagan and Henry Garfinkle, President."

velopment will be invited to participate in what is the most dramatic and beautiful industrial showcase ever conceived as a permanent attraction.

Many of the other primary elements of The Exposition also lend themselves to dramatic and convincing commercial exhibits. Some examples include: The story of California's industrial and resources development and the Travel and Information Center; State Fair with its accompanying commercial and industrial presentations; many special features such as Fiesta Island, devoted to California wines, cheese, fruits and nuts; and the recreation and amusement entities.

Recreation Park Unparalleled opportunities for recreation will be available in Recreation Park. The Theme Amusement section will contain thrilling rides and adventures which are being created especially for The Exposition. These are based on exciting events in California history and have as background settings such examples of the State's geography as the Redwood forests, Mother Lode country and desert scenes.

Other features will be golf courses; a 2.6 mile, nine-turn, paved road race circuit for sports car meets and stock car racing; a 34-acre lake where thrilling boat and water sports programs will be held and which will include beautifully landscaped islands.

Race Track The first complete race track facility accommodating parimutuel wagering to be built in the State since 1958 is a major element of The California Exposition.

The grandstand has been spaciously designed to accommodate 24,000 fans.

An air-conditioned dining room and cocktail lounge are on the third level of the grandstand where visitors will have a panoramic view of the track on the east and a total Exposition view on the west.

CAL EXPO has been conceived and planned by some of the country's finest architects and designers to tell the vital, vibrant story of California in all its aspects. Feasibility studies conducted by Economics Research Associates of Los Angeles indicate that the Exposition will be one of the most heavily attended attractions in the West. According to ERA, the Exposition will host over 51 million vistors in its first 12 years of operation.

In addition to the continuing programs planned for spectators, private industries will have tremendous opportunities to tell their stories at the Exposition. Individual companies can actively participate and exhibit their products or services in a wide variety of situations. Full details may be obtained at Cal Expo offices.

The Exposition will enjoy its first full year of programs and special events activities beginning in April 1969. Plan now for your visit to California's "Showcase of the Golden State."

We also have under consideration and are negotiating for many promising and important locations which fit within the scope of our overall operations.

ANCO VENDING installations continued to expand during 1967 at many locations.

Of prime importance was the award to our company of the contract to operate vending machines on the property of the Massachusetts Port Authority at Logan Airport in Boston. Installations were also made at the Colgate Palmolive Company in Jersey City, at various terminals in John F. Kennedy Airport, New York City, and in Western Union

Company buildings in New York and Boston.

BOOK DEPARTMENT The Company's role in the rapidly changing world of education continued to grow in 1967 reflecting an all-time high in sales. This record was attained despite the industry trend indicating a slight downturn from the previous peak established in 1966. The holiday season of 1967 also was affected by the failure to produce the one outstanding best seller needed to capture the public interest and give impetus to retail sales.

The stimulus of Federal aid to education is still playing a major role in the updating of our institutional systems, however, funds have been diverted to purchase equipment, visual aids and to implement salary schedules for personnel to staff the facilities. There is no doubt book purchases will increase in 1968 to round out the newly obtained facilities.

The increased demand for the finished product to be placed directly on the shelf was continued throughout 1967. The Public Library and the School library prefer to order books bound to their specifications, catalogued and classified. There has been a noticeable trend on the part of the institution or school to order their requirements from a single supplier and so reduce their accounting problems. Our Book Division is in the unique position to supply the books of all publishers.

CANADIAN BOOK WHOLESALE COMPANY This subsidiary again showed a major increase in sales during 1967. Our expanded service to libraries and educational institutions has been received enthusiastically in all parts of Canada. The organizational and planning phases of our new services were completed in 1967. The staff is now concentrating on the actual processing and cataloguing of most book orders prior to shipment. Elementary and Secondary School libraries find our services to distinct advantage.

It is expected that 1968 sales will surpass the record sale of 1967.

STATIONERY DEPARTMENT This department showed an appreciable sales increase due to the expanded lines of merchandise added to the department. This is particularly true of the Art Supplies section. The demand for these items has been unprecedented. As each branch has stocked these supplies, the inquiries and requests have been beyond our expectations. The demand has been created by the extreme interest in art work of every nature, filling leisure hours and therapeutic requirements. Schools and institutions of higher learning have reported increased enrollment in all art classes.

The staple lines of commercial stationery and school supplies show increased demands.

More branches have added office furniture and related merchandise to their catalogues and considerable interest has been displayed by local retailers because of the immediate availability of filing cabinets, desks and other merchandise.

ADVERTISING SPECIALTIES Sales in this division continue to increase as the demand for promotional and advertising premiums and gifts expanded in 1967. Our wholesale branches throughout the country reported a tremendous increase in the number of inquiries from local business firms concerning our specialty items.

Book Warehouse
Washington News Co.

The sales force has been expanded along with the Match Division sales organization. The increased competition for the consumer dollar filters down to this division as the manufacturers of consumer goods of all types seek to corral their share of the consumer market. We are confident that the sales in this division will continue on the upswing in 1968.

AMERICAN MATCH COMPANY Last year we reported the inability of our plant in Zanesville, Ohio, to meet our production schedules. We also announced the preparation of plans for a new plant to be constructed in the Western part of the country.

Our new plant in Reno, Nevada, was completed in December 1967. Production is anticipated on or about April 1, 1968. This modern plant, erected on a large plot, will enable us to meet the ever-increasing demands for our specialty matches. Overnight deliveries to the entire Pacific Coast will help accelerate our delivery schedules to this important area. With the substantial additional ground available, expansion will not be a problem in the future.

Sales in this division reached a new high in 1967. The sales force has continued to expand during the past year and present indications are it will continue to do so in 1968.

The most rapid sales growth has been shown in Custom Design Specialty Match Programs serving banks, restaurants, industrial firms and others.

WHOLESALE BRANCHES Our distribution system covers the entire United States and Canada. These branches sell books, stationery, matches, advertising specialties and magazine subscriptions.

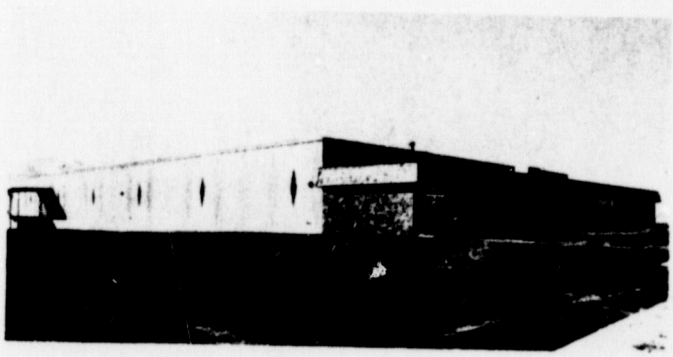
In July 1967, THE DETROIT NEWS COMPANY was relocated in the adjoining City of Birmingham, Michigan, an area more accessible to our dealers and institutions. This new location is a modern building with a layout conducive to greater efficiency and providing excellent parking for our dealers and institutional representatives.

In September 1967, THE WASHINGTON NEWS COMPANY was relocated in adjoining Hyattsville, Maryland, just over the District of Columbia line. The new one story building will prove much more efficient than the multiple story building occupied for over 40 years.

Following is a complete list of the branches and the various cities where they are located:

THE AMERICAN NEWS COMPANY, INC.
New York, N. Y.

The Baltimore News Company, Baltimore, Md.
The Buckeye News Company, Columbus, Ohio
The Buffalo News Company, Buffalo, New York
The Central News Company, Philadelphia, Pa.
The Cincinnati News Company, Cincinnati, Ohio
The Cleveland News Company, Cleveland, Ohio
The Colorado News Company, Denver, Colo.
The Detroit News Company, Birmingham, Mich.
The Florida News Company, West Palm Beach, Fla.
The Georgia News Company, Atlanta, Ga.
The Los Angeles News Company, Huntington Park, Cal.
The Memphis News Company, Memphis, Tenn.
The New England News Company, Brookline, Mass.



New plant
American Match Co.
Reno, Nev.

The New Orleans News Company, New Orleans, La.
The Oregon News Company, Portland, Oregon
The Pittsburgh News Company, Carnegie, Pa.
The Puget Sound News Company, Seattle, Wash.
The Rhode Island News Company, Providence, R. I.
The San Francisco News Company, So. San Francisco, Cal.
The South West News Company, Kansas City, Mo.
The Springfield News Company, Springfield, Mass.
The Syracuse News Company, Syracuse, New York
The Texas News Company, Dallas, Texas
The Washington News Company, Hyattsville, Maryland
The Western News Company, Chicago, Ill.
Canadian Book Wholesale Ltd., Scarborough-Ontario, Can.

CROTTY BROTHERS This division continues to expand its services to industry, educational institutions, hospitals, nursing homes and convalescent homes. The organization is dedicated to provide a total planning service to help the institution develop the ultimate in feeding facilities, procedures and economy of operation. As specialists in their field, they immediately provide the professional advice and supervision needed for a successful Food Service Program. Purchasing and Budget control problems are immediately brought into line, resulting in substantial economies to the various institutions.

The demand for these services has increased tremendously in 1967 and will continue throughout 1968. This is all brought about by the expansion of Medicare and other governmental programs affecting schools, hospitals and other institutions.

Through the courtesy of Mr. John F. Wymer, Jr., Administrator of the Good Samaritan Hospital in West Palm Beach, Florida, we have reproduced on the rear inside cover a photo of one of our most recent institutional installations.

BOATEL The expansion program of this division, continues to move along at an accelerated pace. The Alaskan program in 1967 exceeded our maximum projections and will continue in 1968.

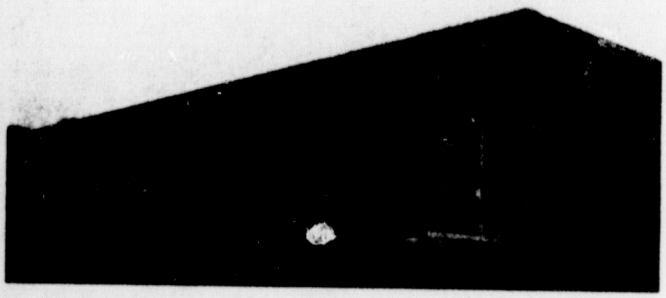
The Mid-East Crisis in June 1967 and the overall effect on the oil industry has created considerable new interest in the Gulf of Mexico area. New explorations are scheduled by all the major oil companies with full encouragement from the Federal Government.

This increased activity in the Gulf Area and Alaska by the oil companies will reflect itself by increased demands for the services of the Boatel organization.

NEMROW TOBACCO The latest acquisition to the family of The American News Company was the purchase of the operating assets of Nemrow Brothers, consummated early in 1967.

Nemrow and its various affiliates are leading wholesalers of cigarettes, cigars, tobacco products, groceries, candy and sundry item in the New England area. The twelve branches cover the major cities and suburban areas of Massachusetts, Connecticut and Rhode Island.

This acquisition blended in perfectly with our other retail and wholesale divisions. The actual sales in 1967 met and surpassed our projections. There is no doubt this progress will continue in 1968 and make a large contribution to increased sales and net income of the Company. The planned consolidation of the Nemrow warehouses and The Union News Company warehouses has been completed in three areas and will continue during 1968 to further reduce expenses and improve the efficiency of operation.



New building
Washington News Co.
Hyattsville, Md.

Consolidated Balance Sheet

The American News Company and Subsidiaries

Assets:	1967 December 29	1966 December 30
Cash	$ 5,423,793	$ 4,995,919
Receivables, less allowances of $150,000	14,870,892	12,847,376
Inventories, at the lower of cost or market	16,790,490	14,410,872
Total current assets	37,085,175	32,254,167
Fixed assets, at cost:		
Land and buildings	5,180,358	5,433,684
Fixtures, equipment and leasehold improvements	24,783,300	22,333,949
	29,963,658	27,767,633
Less, Accumulated depreciation	11,753,479	11,417,906
	18,210,179	16,349,727
Investments, deferred charges and other assets	3,633,481	3,663,783
	$58,928,835	$52,267,677

See notes to financial statements.

	1967 December 29	1966 December 30
Liabilities:		
Accounts payable and accrued expenses	$17,004,003	$13,405,905
Notes payable	500,000	1,500,000
Federal income taxes	1,691,626	1,128,329
Current portion of long term notes payable (Note 1)	1,289,000	689,000
Total current liabilities	20,484,629	16,723,234
Long term debt (Note 1):		
4⅞% Notes due through 1983	5,833,000	6,222,000
Note due through 1972	2,100,000	—
Other at 2%, due 1968	—	300,000
	7,933,000	6,522,000
Deferred federal income taxes	697,710	648,422
Stockholders' Equity:		
Capital stock, no par value, authorized 2,000,000 shares;		
Issued 1,828,303 shares (Note 2)	12,475,475	12,475,475
Retained earnings (Note 1)	23,239,067	21,688,559
	35,714,542	34,164,034
Less, Shares in treasury at cost: 296,481 in 1967; 291,597 in 1966	5,901,046	5,790,013
	29,813,496	28,374,021
	$58,928,835	$52,267,677

Consolidated Income and Retained Earnings

The American News Company and Subsidiaries

YEARS ENDED DECEMBER 31, 1967 AND DECEMBER 30, 1966

	1967 December 29	1966 December 30
Net sales	$166,723,030	$131,117,205
Costs and expenses:		
Cost of sales	103,011,963	70,399,648
Selling, general and administrative expense	56,039,369	53,500,836
Depreciation and amortization	2,059,801	2,063,061
Operating income	161,111,133	125,963,545
	5,611,897	5,153,660
Miscellaneous income—net	484,279	387,587
	6,096,176	5,541,247
Interest expense	556,450	432,400
Income before provision for federal income taxes	5,539,726	5,108,847
Provision for federal income taxes (Note 3)	2,455,000	2,350,000
Net income (per share: $2.01 in 1967; $1.80 in 1966)	3,084,726	2,758,847
Retained earnings, beginning of year	21,688,559	21,169,045
	24,773,285	23,927,892
Less:		
Cash dividends, $1.00 per share	1,534,218	1,534,835
Stock dividend, 2%, at market value	—	704,498
	1,534,218	2,239,333
Retained earnings, end of year	$ 23,239,067	$21,688,559

See notes to financial statements.

Statement of Source and Application of Funds

The American News Company and Subsidiaries

YEARS ENDED DECEMBER 31, 1967 AND DECEMBER 30, 1966

	1967 December 29	1966 December 30
Source:		
Net income	$3,084,726	$2,758,847
Depreciation and amortization	2,059,801	2,063,061
Increase in deferred federal income taxes	49,288	1,553
	5,193,815	4,823,461
Sale of capital stock	16,194	481,929
Decrease in other assets	—	200,814
Increase in long term debt	1,411,000	—
	$6,621,009	$5,506,204
Application:		
Dividends paid	$1,534,218	$1,534,835
Net additions to fixed assets	3,866,171	1,830,001
Acquisition of treasury stock	127,227	161,381
Increase in other assets	23,780	—
Decrease in long term debt	—	689,000
	5,551,396	4,215,217
Increase (decrease) in working capital	1,069,613	1,290,987
	$6,621,009	$5,506,204

Notes to Financial Statements

1. The 4⅞% notes payable are due in annual instalments of $389,000 through 1983. The interest rate on the note payable due through 1972 is fixed at ½% above the prime rate (currently aggregating 6½%) and is payable in quarterly instalments of $150,000. Certain prepayment privileges are available to the Company on each of the note issues. The underlying loan agreements contain certain minimum working capital requirements and cash dividend and stock repurchase restrictions. At December 29, 1967, approximately $6,020,000 of retained earnings was free of such restrictions.

2. The Company has reserved 51,734 shares of its capital stock for issuance under stockholder approved stock option plans, of which 50,000 shares relate to a plan approved in 1966 and 1,734 relate to a plan approved in 1956.

The 1966 plan provides for granting options at prices not less than market at dates of grant, exercisable after 18 months and expiring after five years. At December 29, 1967, no options had been granted under this plan.

Options to purchase 1,734 shares under the 1956 plan were at December 29, 1967, as follows:

Number of Shares	Option Price Per Share	Expiration	% of Option Price to Market Value at Date of Grant
153	$20.49	1969	95%
357	18.74	1973	95%
1,224	21.69	1970	100%

During 1967, options to purchase 816 shares were exercised at $18.74. No additional shares may be granted under the 1956 plan.

3. Provisions for federal income taxes were reduced by $187,000 in 1967 and $38,000 in 1966, representing investment credits, net of recaptures and disallowances.

4. The Company has a contributory pension plan effective January 1, 1963, available to all employees not otherwise covered, who elect to become members upon meeting certain age and length-of-service requirements. All benefits accrued under a previous plan, in effect prior to January 1, 1963, are fully funded.

The current plan is being funded by annual payments, amounting to $205,000 and $195,000 (exclusive of employee contributions) during the years 1967 and 1966, respectively, which provide in full for benefits accrued during each year. However, because of gains realized from the prior plan, substantially on an averaging basis, the net pension costs for 1967 and 1966 were reduced to insignificant amounts.

5. A substantial portion of the Company's operations is conducted under lease and concession agreements providing for rental payments computed under various methods. Aggregate rentals for 1967 were approximately $3,200,000 on long-term leases, which have an average life of 7 years from December 29, 1967.

6. The Company is a defendant, along with certain publishers and other book distributors, in treble damage actions pending in four United States District Courts alleging price fixing on certain juvenile books sold to schools and public libraries. The Company and its counsel now are of the opinion that these cases are without merit and, litigation uncertainties notwithstanding, the results thereof will not materially affect the financial position and results of operation of the Company. Therefor, no related provisions have been made on the books of account.

Auditor's Report

To the Stockholders and Board of Directors of The American News Company:

We have examined the consolidated balance sheet of THE AMERICAN NEWS COMPANY and subsidiaries as of December 29, 1967 and the related statement of income and retained earnings and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the year ended December 30, 1966.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of The American News Company and subsidiaries at December 29, 1967 and December 30, 1966 and the consolidated results of their operations and source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

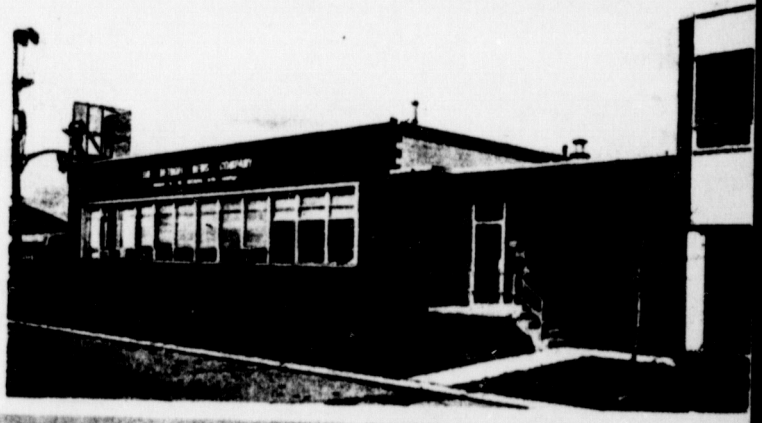
Lybrand, Ross Bros. Montgomery

New York, February 29, 1968

Savarin Coffee Shop
Rockefeller Center
New York, N. Y.

90 By The Sea
Restaurant and Cocktail Lounge
Jacksonvilie Beach, Fla.

The Detroit News Company
Detroit, Mich.



Good Samaritan Hospital
West Paim Beach, Fla.

969

The American News Company

Annual Repor 1968

The America

Year at a Gl

Net sales	
Net income	
Per share	
Dividends paid	
Per share	
Working capital	
Stockholders' equity	
Equity per share	

For Today's A Today's Conc

Today's American and more, work harder, a have more leisure tim of any other country i

Used to the national t services, to which you contributed a constan innovations, they now service—the kind you a unique position to p

We have 105 years of experience in foreseei the needs of tourists, t businessmen and wom families, and the leisu everywhere. This expe matched by our ability highly specialized req teachers, scholars, lib general industry.

nce

	1968	1967
.....	$168,922,578	$166,723,030
.....	2,784,054	3,084,726
.....	1.80	2.01
.....	1,554,090	1,534,218
.....	1.00	1.00
.....	13,377,780	17,593,029
.....	34,137,073	29,813,496
.....	21.24	19.46

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Today, there is an explosively expanding demand for our kind of total service. We've kept ahead of it, with gratifying results. On the following pages, we'll show you in detail what your Company's foresight has achieved for you, as stockholders, and what this means to you in continued success—not just in 1969, but for the years to come.

On the Cover

The cover picture showing ANC's modern restaurant was taken at the United Air Lines building at JFK International Airport in New York City. This is just one of our restaurants catering to people on the move.

Dividends

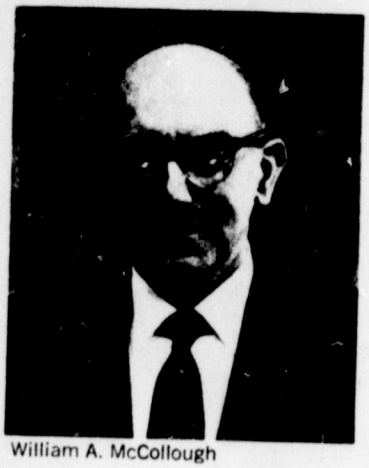
On March 20th 1969, the Company paid a quarterly dividend of 25¢ per share. This was dividend No. 608 paid continuously by the Company since its founding in 1864. This dividend payment continues the Company's record for the longest uninterrupted number of quarterly dividend payments of any company listed on the New York Stock Exchange.

Annual Meeting

The Annual Meeting of Stockholders will be held on Wednesday, April 30, 1969, at 11 A.M., at The American News Company offices at 131 Varick Street, New York City.

To Our Shareholders

Henry Garfinkle



William A. McCollough

Fiscal 1968 was a period of mixed progress for American News.

Though sales were ahead, the softening in net income and per share earnings are reflections of the 10 per cent surtax on Federal income taxes and management's planned commitment to the opening of new facilities which hold the key to the company's future growth. Representing a positive growth move and a carefully considered investment in tomorrow, a major share of certain start up costs tied to our investment in many new establishments contributed to a lowering of earnings last year. The continuing inflationary-cost spiral was another factor that adversely affected margins. However, the increase in feeding facilities, particularly new restaurants, vending and food service operations, give early evidence of making a favorably higher initial contribution to results this year.

It should be noted as well that 1968 covers a period of 53 weeks compared with 52 weeks in 1967. The additional week, coming as it did at what is normally our slackest business period for non-retail operations, had the effect of reducing earnings below what we otherwise could have been expected to report. The extra week added an extra period of costs at a time when our non-retail business, by tradition, is seasonally slow.

On the positive side, management's growth program continued to advance with exceptional vigor. As noted, this was reflected in the opening of new feeding facilities to expand the company's prime area of business—the serving of food to Americans on the move: at work, travel and leisure.

In keeping with ANC's expanding services, management is proposing for stockholder approval a change in the company's name to ANCORP NATIONAL SERVICES, INC., a name considered more in keeping with the company's diversified range of services. Equally significant, the proposed new name enables us to drop the word "NEWS" from our corporate identification. Food service operations constitute the major segment of the company's business and sales from newsstand activities represent a minor part of total revenues today.

As a further factor in our expansion plans, management is currently considering several promising acquisition opportunities which, it is believed, will accelerate our present growth programs and increase future operating levels. Corporate candidates under review are profitable companies in compatible service areas.

Management's outlook is one of optimism for the realization of the company's growth programs and for our future progress. We appreciate your confidence in the company and pledge to you our continuing efforts to work for its growth.

Respectfully,

Henry Garfinkle
Chairman and Chief Executive Officer

William A. McCollough
President

Union News

Perhaps nowhere is the new American mobility and demand for leisure-time diversion more graphically revealed than in the areas served by your Company's largest division, The Union News. We have responded aggressively to these growing needs both by opening new facilities and by expanding existing ones. This program has resulted in significant increases in sales and profits.

New York

This summer, an extraordinary new restaurant will open its doors in the American Stock Exchange—our "Old New York" innovation. Designed to recreate the atmosphere of 1850-1900, when Manhattan was the nation's center of trade, commerce and finance, it offers four different dining rooms to the public. The decor is faithful to the period, and the names are nostalgic: The Trolley Barn (a coffee shop), The Back Office, The Harbor Grill (with a marine motif) and The Patent Office. For Exchange members only we have a fifth restaurant, the Exchange Club, lavishly decorated in the style of men's clubs of the period. Total seating in the public dining room is 285.

An estimated half-million people will visit the Exchange this year. In preparation for this flood of guests, the Exchange is modernizing its facilities and doubling the size of its visitors' gallery.

Also new in New York City is a second Oyster Bar. This is located in the new Pennsylvania Railroad Station complex, and will be a mate to the time-honored restaurant in Grand Central Terminal (under our management for over fifty years).

ver half a century, the Oyster Bar
and Central Terminal has been a
mark for discerning diners.

It is only one of several new eating facilities we are creating in Penn Station, among them snack bars, dining rooms and seafood houses. Our new shops include a Merchandise Mart, Drug Store, Liquor Store, Card and Gift Shop, and several newsstands.

Our "Inn Of The Clock", which we opened last year in the UN Plaza building, is experiencing gratifying popularity. We've grown on Long Island as well, adding the popular Gil Clark's Seafood House in Bayshore and the elegant House of Jericho on Jericho Turnpike in Huntington.

These outstanding new facilities can be expected to add to revenues in 1969 and future years.

Renovations and Expansions

We will completely renovate our facilities at 120 Broadway, adding a new bar, and a new coffee shop. Expansion of the dining room will considerably increase seating capacity, with the resultant increase in revenue.

In 1968, our facilities at John F. Kennedy International Airport benefited further from America's urge to travel. The heavier traffic flow resulting from increased flights by United Air Lines, Delta and the Japanese Air Line prompted us to arrange to double the size of the dining room area and to install a new bar and cocktail lounge. This was a further extension of our 1967 activities, when we put in a complete new retail operation and doubled the seating capacity of the Coffee Shop.

In Manhattan, our Coffee Cart services expanded to handle the needs of a number of large new office buildings throughout the area.

Your Company's newsstands, at airports, bus, subway and train stations, are always changing to meet the tastes and trends of the times.

New Jersey

In New Jersey, we added more employees' cafeterias and extended our vending machine operation service.

Boston

Logan Airport, in Boston, is experiencing the "growing pains" familiar to all major air centers today. Air traffic is going up at an unprecedented rate. It appears that all airlines will be forced to enlarge their facilities.

Thus, when Eastern Air Lines, where we have long held franchises, began work on its new multimillion dollar terminal at Logan, we developed plans to operate the food service and newsstand facilities. We now offer the impending new flow of passengers—during construction and thereafter—the enlarged facilities of our Cocktail Lounge, Restaurant, Coffee Shop and Newsstand. Since Eastern's expansion means added staff, we have also expanded our services to their Employees' Cafeteria.

New Orleans

Just steps away from the fabulous French Quarter and the heart of New Orleans' business and shopping centers is the Rivergate, the New Port of New Orleans Exhibition Center.

This is a completely modern exhibition and convention facility covering six city squares, and is also a principal component of the city's new International Center.

Here, we have again moved aggressively to provide the kind of Total Service America needs. We will shortly open a cafeteria seating 360 persons, a cocktail lounge seating 200, and a Main Hall where we can serve up to 13,000 at one time, banquet style. We will also serve 12 meeting rooms with a total capacity of 5,185 persons.

In addition, we will operate three concession stands and eight portable concession stands—these last comprising two liquor bars, two offering novelties and four serving food and soft drinks.

Already crowded during the Carnival Season with dance and banquet bookings, and rapidly growing in popularity with national convention groups, our new Rivergate facility promises to be one of the most profitable installations in our history. This will complement our successful food service facilities in the Municipal Auditorium.

California Exposition

Here again, our foresight in anticipating the needs of the new mobile and pleasure-oriented American is bringing rewards. The Exposition is a permanent one. Its main areas are the Fair Activities Complex, the Industrial Exhibit Area, the Race Track, and Recreation Park.

Jacksonville, Florida

The new Jacksonville International Airport was completed late last summer. When it opened, we were ready for the travelling public with new installations including a dining room, coffee shop, snack bar, employees' lunch room and a newsstand. First reports exceeded the most optimistic expectations. We anticipate a highly successful year.

San Francisco, California

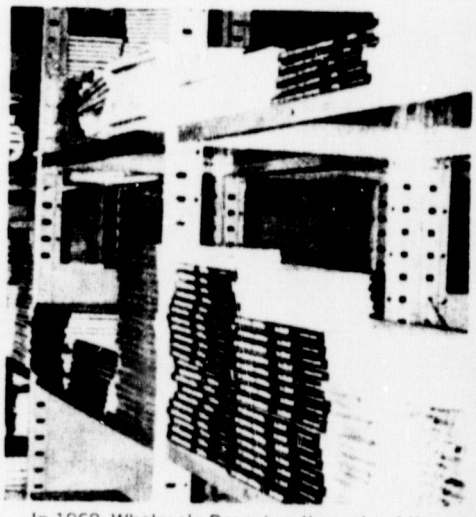
Our new facilities in this area showed peak activity last year. We expect this trend to continue.

Minneapolis-St. Paul International Airport

The impact of mobile America made itself felt markedly here. To keep ahead of mounting traffic, we doubled the size of our cocktail lounge and dining room; renovated the employees' cafeteria; installed two new snack bars; and we are now in the process of renovating and enlarging the coffee shop. All installations report sales far ahead of original projections.

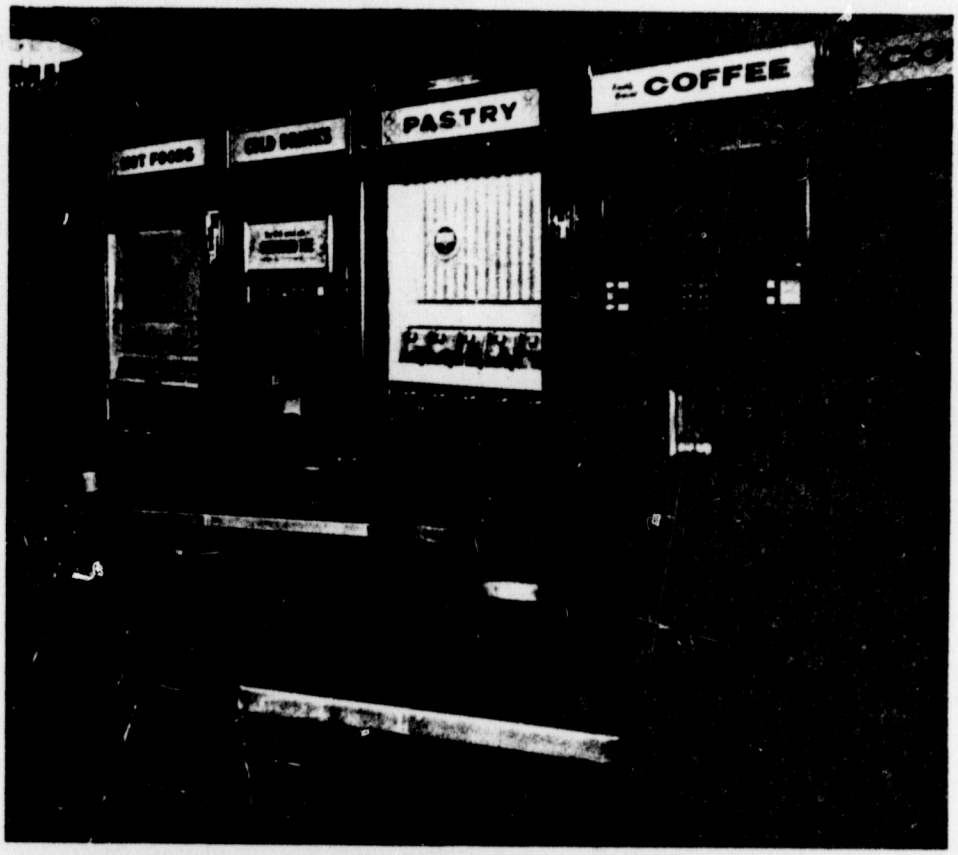
Wholesale Branches

These branches sell books, stationery, matches, advertising specialties, background music and magazine subscriptions, and cover the entire United States and Canada. Two installations which moved in 1967 to new modern buildings, have considerably increased their efficiency. These were THE DETROIT NEWS COMPANY, relocated in the nearby city of Birmingham, Michigan; and THE WASHINGTON NEWS COMPANY, now in adjoining Hyattsville, Maryland. In January of 1969 THE BALTIMORE NEWS COMPANY was combined with THE WASHINGTON NEWS COMPANY for even greater efficiency and profitability.

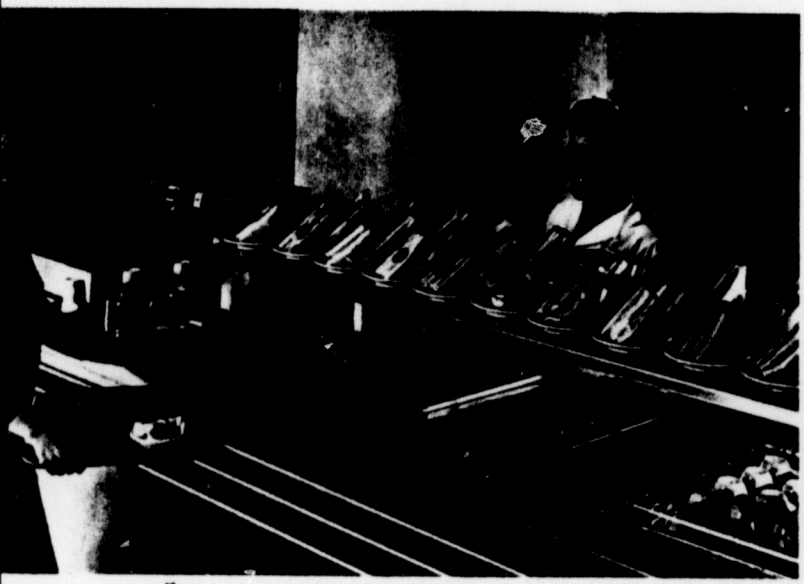


In 1968, Wholesale Branches throughout the United States continued to increase their efficiency and profitability.

Self-service facilities pioneered by ANCO Vending, represent a new trend in In-Plant Feeding.

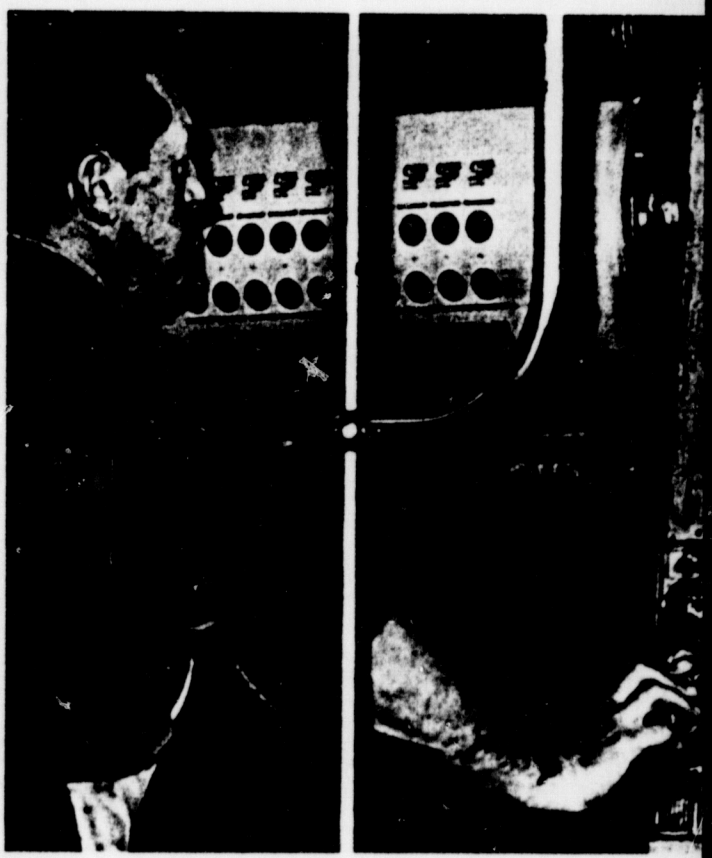


ANC continues to maintain its leadership as one of the key book distributors for the leading publishing firms—thereby sharing in the growth of this ever expanding market.



Crotty Brothers offers a complete planning service for the ultimate in feeding facilities in nursing homes, hospitals, schools and factories.

Sales in our Advertising Specialty Division continued to increase during 1968 because of the popularity of our extensive line.



ANCO Vending

The gratifying increases experienced by our other installations were echoed here. Among the new locations added by ANCO Vending were the Colgate-Palmolive Company in Jersey City, and Western Union Company buildings in both New York and Boston. One of our outstanding achievements in 1968 was the finalizing of our contract at Logan Airport in Boston, property of the Massachusetts Port Authority.

Book and Stationery Division

Having found that clients of each of these divisions frequently required the services of both, we decided to bring their functions under one roof. Schools and libraries can now receive their various needs, ranging from desks and filing cabinets to books and paper supplies, from our new PROFESSIONAL SERVICES division.

Book Division

While Federal expenditures were reduced in 1968, bringing about a slight decline in sales, your Company moved ahead in promising new areas. One important new trend is the supplying to librarians of pre-cataloged and pre-processed books. This innovation, providing book lots processed to the library's requirements and ready for shelving on delivery, has already saved libraries considerable amounts of time and money. Indications are that this is a sales trend which enjoys a limitless future.

Another unique service your Company has developed is the staff of library experts we are currently assembling. These are professional librarians, fully trained and widely experienced in all phases of the institutional market. The advice and experience of this group of experts will be made available to our customers, and is expected to be reflected in increased sales.

While maintaining our leadership among wholesale book distributors in America, we continue to develop new sales units, in anticipation of new consumer requirements. Our network of book branches, in the opinion of the publishing world, is the best in the country. As fresh areas of opportunity open up, you can be confident that we will take swift advantage of them.

Stationery Division

Today's American and his family have had a forceful impact on our sales in many areas. In particular, the demand for art supplies has been unprecedented—and it continues to soar. We're aware that enrollments in art classes, at every level of education, has leapt well ahead of expectation, and adults too, are employing their leisure hours with art work of all kinds. We expect an even greater advance in this area in 1969.

It will be matched, we feel, by the steadily increasing needs for our commercial stationery, and for school supplies. As industry grows and diversifies, new needs arise which your Company is particularly equipped to satisfy.

The amalgamation of these two divisions, Book and Stationery, will enable your Company to serve current and new clients with greater efficiency and profitability.

The Stationery Division is especially equipped to meet the increasing demand for commercial stationery and school supplies.

Canadian Book Wholesale Company

A successful example of our new PROFESSIONAL SERVICES division, is this subsidiary which is now successfully processing cataloging book orders prior to shipment. This expanded service has found immediate favor with schools and libraries throughout Canada, and has resulted in major sales increases during 1968. Having added organizational and planning phases to our new services, we can look forward to sales in 1969 which should easily surpass those of last year.

Advertising Specialties

The popularity of our extensive line of advertising premiums and gifts continued to leap ahead in 1968. Not only did sales increase substantially, but we received an unprecedented number of inquiries from local business firms who were impressed by our specialty items, both in range and in appeal.

American Match Company

Last January, we opened a new, completely modern plant in Reno, Nevada, largely to keep ahead of the enormously increased demand for our custom design book matches. Several important benefits resulted.

Shipping time was dramatically cut, since now all Pacific Coast clients can count on overnight delivery, and no customer is farther away than second morning delivery.

Freight costs have been substantially reduced. Our new facility supplies the needs of all branches and sales offices in the Western states.

A third benefit of the new Reno plant is the opportunity it gave us to overhaul completely the original installation at Zanesville, Ohio. Once old machinery was replaced or reconditioned, production and efficiency mounted to a most encouraging level.

Expanding sales have called for a comparable expansion of our sales force. We are now embarked on a year-round program of adding personnel in our branch offices. In addition, we are implementing plans for setting up new sales offices in those major cities not presently covered by existing branches.

To service the mounting demands for custom designed book matches, the American Match Company has increased its printing facilities in Reno, Nevada and Zanesville, Ohio.

In 1968, national space accounts business moved ahead strongly. But our liveliest market has been the mounting demand for specialty book matches. They are recognized as significant sources of advertising to today's "Mobile American" by such established industries as banking, hotels, restaurants and by various industrial concerns.

Crotty Brothers

Construction of industrial plants and the expansion of Medicare and other government programs affecting schools, hospitals, and similar institutions has had a remarkable impact on this division's growth.

Crotty Brothers offers a total planning service which embraces feeding facilities, costing procedures, and operational systems—all at the most economical and efficient levels feasible.

Professional consultants supply the particular type of advice and supervision required by each specific food program. Next, individual purchasing and budget control problems are examined and brought into line. The result is a highly effective operation, accompanied by substantial savings to the institutions involved.

The demand for these services increased enormously in 1968, and will continue its forward thrust through 1969.

The Boatel Division specializes in industrial feeding in inaccessible areas—from the Gulf of Mexico to the Alaskan Slope.

Boatel

The new "gold rush" to Alaska, this time in search of oil, shows no signs of stopping. This has brought gratifying results to this division. The rapid expansion experienced in 1968 promises to be surpassed by the growth of our Alaska services this year.

Boatel has also expanded its activities in the Gulf of Mexico. Here, the Federal Government is encouraging new explorations for oil on the part of all the major oil companies.

The accompanying increased need for our services already shows promise, and can be expected to grow steadily throughout the coming year.

Nemrow Tobacco

Nemrow Brothers, a 12-branch New England wholesale firm handling tobacco products, candy and sundry groceries, was acquired by us two years ago and has become an integral part of your Company's operations. In a continuing effort to increase profitability we have consolidated warehouse operations in Massachusetts, Connecticut and Rhode Island.

Nine Year Statistical Summary

For the year:	1968	1967	1966	1965	1964	1963	1962	1961	1960
Net sales*	168,923	166,723	131,117	125,240	123,435	131,906	131,647	126,225	120,041
Income before Federal income taxes*	4,292	5,540	5,109	4,464	3,454	2,119	1,254	3,666	3,610
Net income*	2,784	3,085	2,759	2,510	1,974	1,252	986	2,039	1,971
Percent of net income to:									
Sales	1.65%	1.85%	2.10%	2.00%	1.60%	.95%	.75%	1.62%	1.64%
Stockholders' equity	8.16%	10.3%	9.72%	9.36%	7.47%	4.81%	3.67%	6.95%	6.83%
Dividends paid*	1,554	1,534	1,535	1,485	1,500	1,528	1,558	1,589	1,598
Amount per share:									
Net income†	1.80	2.01	1.80	1.66	1.29	.82	.63	1.26	1.22
Dividends paid	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Stockholders' equity†	21.24	19.46	18.46	17.77	17.29	16.99	17.23	18.10	17.84
At year end:									
Current assets*	39,450	38,078	32,254	29,583	26,390	29,196	29,204	30,501	27,164
Current liabilities*	26,072	20,485	16,723	15,343	11,541	17,184	17,447	20,846	16,501
Working capital*	13,378	17,593	15,531	14,240	14,849	12,012	11,757	9,655	10,663
Ratio	1.5	1.9	1.9	1.9	2.3	1.7	1.7	1.5	1.6
Long term debt*	6,944	7,933	6,522	7,211	7,900	7,000	6,000	—	—
Stockholders' equity*	34,137	29,813	28,374	26,829	26,416	26,048	26,837	29,357	28,877
Shares issued and outstanding*†	1,607	1,532	1,537	1,510	1,528	1,533	1,558	1,622	1,619
Shareholders	4,600	5,400	5,500	5,400	5,300	4,200	4,000	3,900	4,100

*In thousands.

†Adjusted for 2% stock dividend in 1966.

Consolidated Balance Sheets

	January 3 1969	December 29 1967
Assets:		
Cash	$ 6,088,665	$ 5,423,793
Receivables, less allowances of $411,000 and $150,000	15,174,481	14,870,892
Inventories (Note 2)	16,939,365	16,790,490
Prepaid expenses	1,247,763	992,483
Total current assets	39,450,274	38,077,658
Fixed assets, at cost:		
Land	883,411	847,076
Buildings	4,632,334	4,333,282
Fixtures, equipment and leasehold improvements	29,949,241	24,303,300
	35,464,986	29,483,658
Less, Accumulated depreciation and amortization (Note 4)	12,638,170	11,588,479
	22,826,816	17,895,179
Deferred charges and other assets	3,727,522	2,535,524
Excess of investment cost over net assets of acquired businesses (Note 1)	2,109,871	420,474
	$68,114,483	$58,928,835

See notes to financial statements.

	January 3 1969	December 29 1967
Liabilities:		
Accounts payable and accrued expenses	$20,937,849	$17,004,003
Notes payable	4,056,063	500,000
Federal income taxes	89,582	1,691,626
Current portion of long term debt (Note 3)	989,000	1,289,000
Total current liabilities	26,072,494	20,484,629
Long-term debt, noncurrent portion (Note 3)		
4⅞% Notes due through 1983	5,444,000	5,833,000
Note due through 1972	1,500,000	2,100,000
	6,944,000	7,933,000
Deferred federal income taxes (Note 4)	960,916	697,710
Stockholders' Equity:		
Capital stock, no par value, authorized 2,000,000 shares;		
Issued 1,828,303 shares (Notes 5, 6 and 11)	14,075,050	12,475,475
Retained earnings (Note 3)	24,469,031	23,239,067
	38,544,081	35,714,542
Less, Shares in treasury at cost: 220,914 in 1968; 296,481 in 1967 (Note 5)	4,407,008	5,901,046
	34,137,073	29,813,496
	$68,114,483	$58,928,835

The American News Company and Subsidiaries

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Consolidated Income and Retained Earnings

Years Ended January 3, 1969 and December 29, 1967

	1968 (53 Weeks)	1967 (52 Weeks)
Net sales	$168,922,578	$166,723,030
Costs and expenses:		
Cost of sales	102,227,662	103,011,963
Selling, general and administrative expense	60,162,531	56,039,369
Depreciation and amortization	2,277,089	2,059,801
	164,667,282	161,111,133
Operating income	4,255,296	5,611,897
Miscellaneous income—net	585,201	484,279
	4,840,497	6,096,176
Interest expense	548,443	556,450
Income before provision for federal income taxes	4,292,054	5,539,726
Provision for federal income taxes (Note 7):		
Currently payable	1,245,000	2,406,000
Deferred	263,000	49,000
	1,508,000	2,455,000
Net income (per share: $1.80 in 1968; $2.01 in 1967)	2,784,054	3,084,726
Retained earnings, beginning of year	23,239,067	21,688,559
	26,023,121	24,773,285
Cash dividends, $1.00 per share	1,554,090	1,534,218
Retained earnings, end of year (Note 3)	$ 24,469,031	$ 23,239,067

See notes to financial statements.

The American News Company and Subsidiaries

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Statements of Source and Application of Funds

Years Ended January 3, 1969 and December 29, 1967

	1968 (53 Weeks)	1967 (52 Weeks)
Source:		
Net income	$2,784,054	$3,084,726
Depreciation and amortization	2,277,089	2,059,801
Provision for deferred federal income taxes	263,206	49,288
	5,324,349	5,193,815
Exercise of stock options	136,572	16,194
Increase in long-term debt	—	1,411,000
Other, net	105,710	303,342
	$5,566,631	$6,924,351
Application:		
Dividends paid	$1,554,090	$1,534,218
Net additions to fixed assets	7,208,726	3,866,171
Acquisition of treasury stock	30,064	127,227
Decrease in long-term debt	989,000	—
	9,781,880	5,527,616
Increase (decrease) in working capital	(4,215,249)	1,396,735
	$5,566,631	$6,924,351

See notes to financial statements.

Notes to Financial Statements

1 During 1968, the Company effected various acquisitions for an aggregate of 69,833 shares of its treasury stock and cash of $189,000. The consolidated statement of income for 1968 includes the operations of the acquired entities from the respective dates of acquisition. The acquisitions include Garfield Management Corporation and Garfield News Co. Inc., acquired from the Company's Chairman of the Board for 1,828 shares and from a related family trust for 44,706 shares, respectively. The excess of market value of shares issued, at the various dates of acquisition, over net assets acquired, $1,798,000, was recorded as an intangible asset of which $1,706,000 is applicable to Garfield News Co. Inc. and Garfield Management Corporation.

2 Inventories, principally merchandise, are valued at the lower of cost or market, utilizing first-in, first-out, retail and average cost methods.

3 The 4⅞% notes payable are due in annual instalments of $389,000 through 1983. The interest rate on the note payable due through 1972 is fixed at ½% above the prime rate (currently 8%) and is payable in quarterly instalments of $150,000. Certain prepayment privileges are available to the Company on each of the note issues. The underlying loan agreements contain certain minimum working capital requirements and cash dividend and stock repurchase restrictions. Such restrictions are determined by a formula based in part on income since June 30, 1963 and, in accordance therewith, approximately $7,200,000 of retained earnings was free of restriction at January 3, 1969. However, after giving effect to minimum working capital requirements at that date, retained earnings free of cash dividend and stock repurchase restrictions would be reduced to approximately $342,000.

4 Deferred federal income taxes arise principally from timing differences in the treatment of depreciation for tax and financial accounting purposes. Accelerated depreciation is used, in some instances, for tax purposes while the straight-line method is used for financial reporting.

5 Changes in capital stock during 1968 were as follows:

	Shares	Amount
Issued, at beginning of year	1,828,303	$12,475,475
Treasury shares issued for acquisitions (see Note 1), at market values at dates of acquisition	69,833	2,987,105
Treasury shares issued on exercise of employee stock options, at amount of proceeds received	1,734	36,572
Treasury shares issued at $20 per share, for services rendered	5,000	100,000
	1,904,870	15,599,152
Less, shares issued from treasury, at cost	76,567	1,524,102
Issued, at end of year	1,828,303	$14,075,050

Treasury shares, at beginning of year	296,481	$ 5,901,046
Purchases during year	1,000	30,064
	297,481	5,931,110
Less, shares issued, as above	76,567	1,524,102
Treasury shares, at end of year	220,914	$ 4,407,008

6 At January 3, 1969, options were outstanding under the Company's Employees Stock Option Plan to purchase 8,250 shares of capital stock at $32.13 per share (all granted during 1968); such options become exercisable in 1969. If not exercised, the options expire in 1973. Options for 41,750 shares were available for future grants at prices not less than market value at date of grant, exercisable after 18 months and expiring after five years from date of grant.

During 1968, options for 1,734 shares were exercised at prices ranging from $18.74 to $21.69 per share.

7 The provisions for federal income taxes for 1968 and 1967 have been reduced $401,000 and $210,000, respectively, through utilization of investment tax credits.

8 The Company has a contributory pension plan available to all employees not otherwise covered, who elect to participate upon meeting certain age and length-of-service requirements. The plan is funded by annual payments, which amounted to $215,000 (exclusive of employee contributions) for 1968. However, gains realized from a prior plan exceeded 1968 pension costs by approximately $138,000.

9 A substantial portion of the Company's operations is conducted under lease and concession agreements providing for rental payments computed under various methods. Aggregate rentals for 1968 were approximately $3,900,000 on long-term leases, which have an average life of 8 years from January 3, 1969.

10 A number of book publishing companies and distributors, including the Company, have been named as defendants in actions for alleged violations of the anti-trust laws. The Company denies liability and is defending these actions. In the opinion of counsel, this litigation will not have a material adverse effect on the Company's financial position or results of operations. Therefor, no related provisions have been made on the books of account.

11 The Company's Board of Directors has approved, subject to stockholder approval, proposals for the name of the Company to be changed to Ancorp National Services, Inc., for an increase in the number of authorized capital shares from 2,000,000 shares to 3,500,000 shares (to be thereafter referred to as common stock) and for the authorization of 1,000,000 shares of a new class of preferred stock without par value. The preferred stock would be issuable in series, the dividend rate and other terms to be fixed by the Board of Directors at time of issue.

Auditors' Report

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To the Stockholders and Board of Directors of The American News Company:

We have examined the consolidated balance sheet of THE AMERICAN NEWS COMPANY and subsidiaries as of January 3, 1969 and the related statement of income and retained earnings and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the year ended December 29, 1967.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of The American News Company and subsidiaries at January 3, 1969 and December 29, 1967 and the consolidated results of their operations and source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. & Montgomery

New York, April 3, 1969

Directors and Officers

Directors

Henry Garfinkle
Chairman of the Board and Chief Executive Officer of the Corporation

Oscar A. Doob
Public Relations Consultant

Andrew J. Crotty, Jr.
Chairman of the Board of Crotty Brothers, Inc., a wholly owned subsidiary

Leo F. Daley
Senior Vice President, Harris Upham & Co., Inc., investment bankers

William A. McCollough
President of the Corporation

Harry Marley
Attorney and Business Executive

Michael J. Kilfeather
Vice President and Treasurer of the Corporation

Arthur F. McGinness
Senior Vice President, Chemical Bank New York Trust Company

David Burstein
Senior Partner in law firm of Hale and Dorr

William A. Golden
President of Crotty Brothers, Inc., a wholly owned subsidiary

Corporate Officers

Henry Garfinkle
Chairman of the Board and Chief Executive Officer

William A. McCollough
President

William J. Bliss
Vice President and Secretary

Alfred D'Ambrosio
Vice President

Michael J. Kilfeather
Vice President and Treasurer

John P. Scully
Vice President

Stanley M. Simon
Vice President and Controller

Mildred L. Morrison
Assistant Treasurer

Joseph P. Kiernan
Assistant Secretary

Joseph J. Moran
Assistant Secretary

Martin Ahl
Assistant Controller

Jerome Goodman
Assistant Controller

Divisional Officers

Joseph M. Christie
Vice President—Books

Lawrence F. Murphy
Assistant Vice President—Books

Chester W. Crater
Vice President—American News Branch Operations

Ralph Florea
Vice President—Advertising Specialties

Sol Myron
Assistant Vice President—Advertising Specialties

Abraham H. Fogel
Vice President—Nemrow Division

William G. Gillman
Vice President—Union News Operations

Joseph R. Melis
Assistant Vice President—Union News Operations

John A. Hopson
Vice President—Hopson Marketing Division

John Lacerra
Vice President—Stationery

Arthur Feuer
Assistant Vice President—Union News Purchasing

Jordan Greenbaum
Assistant Vice President—Vending Operations

George Hanna
Chief Engineer—Construction

Melvin S. Karpoff
Director of Food Service Operations

Officers of Subsidiaries

American Match Company

Robert C. Dennis, President—American Match Company
Paul J. Kunkel, Vice President
Kenneth Brill, Assistant Vice President

Boatel, Inc.

John P. Kuchta, President
Patricia L. Crowley, Vice President
Louis Hebert, Executive Vice President—Boatel Alaska, Inc.

Crotty Brothers, Inc.

William A. Golden, President
James J. Doherty, Vice President and Treasurer
Florence Weisslinger, Controller

Transfer Agent First National City Bank, New York, N.Y.

Registrar Manufacturers Hanover Trust Company, New York, N.Y.
The Capital Stock of the Company has been listed on the New York Stock Exchange since 1930.

Executive Offices 131 Varick Street, New York, N.Y. 10013

The American News Company 131 Varick Street, New York, N.Y. 10013

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Ancorp National Services, Inc. Annual Report 1969

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Ancorp's new American Stock Exchange restaurant is one of over 600 food service installations operated by the company. It also typifies new facilities that have been developed in the past few years.

Ancorp National Services, Inc. Annual Report 1969

Financial Highlights

	1969	1968
Net sales	$169,797,652	$168,922,578
Net income	2,305,026	2,784,054
Per share	1.43	1.80
Dividends paid	1,622,276	1,554,090
Per share	1.00	1.00
Working capital	9,189,379	13,377,780
Shareholders' equity	35,665,029	34,137,073
Per share	21.92	21.24

Dividends—With payment of the 25 cent quarterly dividend on March 20, 1970, Ancorp extended the record for uninterrupted dividend payments by any company listed on the New York Stock Exchange into the 107th year. Ancorp has paid 612 dividends since the first quarter of 1864, when the company was founded as The American News Company.

To Our Shareholders:

Henry Garfinkle

William A. McCollough

Heavy start-up costs for new facilities coupled with tight money conditions and inflation-produced cost pressures penalized earnings of our company during 1969. However, we are confident that the investments the company has made in new and modernized facilities over the past several years will begin to produce substantial profits for Ancorp during 1970 and beyond.

Net income was $2,305,026, or $1.43 per share, on sales volume of $169,797,652 for the 52 week period ending January 2, 1970. This compares with earnings of $2,784,054, or $1.80 per share, on sales of $168,922,578 for the 53 weeks of the prior year.

Full utilization of new facilities, which represent capital investments in excess of $24,000,000 over the past five years, should be achieved in the current year. Ancorp in 1970 should also reap increasing benefits from consolidation programs and reductions in operating expenses.

Your management firmly believes that sound business practices demand investment of funds, efforts and time toward the achievement of long-term goals even if the immediate effect is a temporary reduction in operating results. During the latter part of the 1960's, earnings have been reinvested to build the strongest possible base to generate growth and profits in the coming decade.

Indicative of progress achieved in terms of long range goals has been the success of your management's programs to restructure operations to take advantage of opportunities in areas offering the greatest potential for future growth and profitability.

During the decade, both through acquisition and internal growth, food services became our largest single activity and now contribute 45% of total sales.

Food services have been extended into the rapidly growing industrial, business and institutional feeding field and into food and ancillary services for remote site installations. We have expanded our services for convention and exposition facilities and in parks and arenas, areas which will increasingly benefit from the growth of leisure time activities.

In other operations, greater emphasis has been placed on general merchandise, gift and drug retailing and on adding product lines with higher rates of profitability to our wholesale branches.

The progress of the 60's can probably best be summed up by the fact that your company entered the decade as THE AMERICAN NEWS COMPANY and ended it as ANCORP NATIONAL SERVICES, INC., a new name that reflects the scope of our total services in rapidly expanding markets.

With the progress achieved and the strong base established during the past decade, we expect the 1970's to be a period of rapidly accelerating growth for your company. Because of the nature of our services and the strength of the markets we serve, we believe we are resistant to the effects of temporary downturns in the economy.

The decade will undoubtedly present opportunities for us to apply our service skills in new areas, and we shall continue to seek and carefully evaluate such opportunities for both internal and external growth.

The confidence of our shareholders, customers and employees has played important roles in our progress to date. Their continued support is an important factor in our optimism for the future, and we shall do our utmost to merit it.

Respectfully,

Henry Garfinkle
Chairman and Chief Executive Officer

William A. McCollough
President

April 10, 1970

Operations

Ancorp National Services, Inc. was selected as the new name for the corporation because it better reflects the wide scope of the company's operations while retaining, in "Ancorp," a verbal link with the long history of American News Company. The range of Ancorp activities is demonstrated in the list of services and markets below.

Ancorp National Services, Inc., was founded more than a century ago on the premise that a rapidly expanding and increasingly mobile population provides a fertile market for services of many types. Since then, the company has continued to expand the range of its activities to keep pace with increasing demand and changing life patterns while building and reinforcing its reputation for quality, value and efficiency among customers, suppliers and the general public.

Today, Ancorp offers a broad range of services to Americans of all ages. The traveler—the businessman commuting from suburban home to city office or from coast to coast, as well as the leisure time tourist— comprises a prime and growing segment of Ancorp's market, just as he did 100 years ago.

The demand for services is expected to grow in the 1970's at an explosive rate. Ancorp is in an excellent position to take advantage of the opportunities and to meet the challenges of the coming decade.

OPERATIONS		MARKETS SERVED	
Food Services			
Restaurants	Cocktail lounges	Airline, railroad and bus passenger terminals	Civic centers
Snack bars	Catering	Subway systems	Convention and exposition centers
Cafeterias	Industrial and institutional feeding	Schools, hospitals and nursing homes	Stadiums
Coffee shops	Vending machines	Shopping centers	Recreational facilities
Coffee carts		Office buildings	Turnpikes and throughways
		Hotels	Construction sites
		Industrial plants	Off-shore and remote site oil exploration and drilling facilities
		Employee cafeterias	
		Executive dining rooms	
Wholesale Division			
Books	Office furniture and equipment	Schools	Corporations
Library services	Art supplies	Libraries	Vending machines
Matches	Subscription services newspapers and magazines	Government institutions	Restaurants
Tobacco products	Advertising specialties	Retailers	Hospitals
Candy	Background music systems		Nursing homes
Proprietary drugs			
Gifts and premiums			
Stationery			
Retail Division			
Gift and novelty shops	Drug stores	Hotels	Parks
News stands	General merchandise marts	Airline, railroad and bus passenger terminals	Convention and exposition centers
Tobacco shops		Subway systems	Turnpikes and throughways
		Office buildings	

Ancorp's Boatel, Inc. subsidiary provides quality food and ancillary services in remote locations, such as this oil installation on the Alaskan North Slope.

Food Services

The range of Ancorp's food services extends from single vending machine installations, snack bars and cafeterias to fine restaurants and catering facilities capable of feeding thousands of people at a single sitting. The company's institutional and industrial feeding operations serve hospitals, schools, offices and factories across the country, as well as oil rigs on the Alaskan North Slope area and in the Gulf of Mexico.

Together, food service operations at more than 600 installations now provide about 45 percent of Ancorp's sales revenues and are expected to contribute an even greater portion of revenues as the full benefits of expansion and modernization programs of recent years are realized.

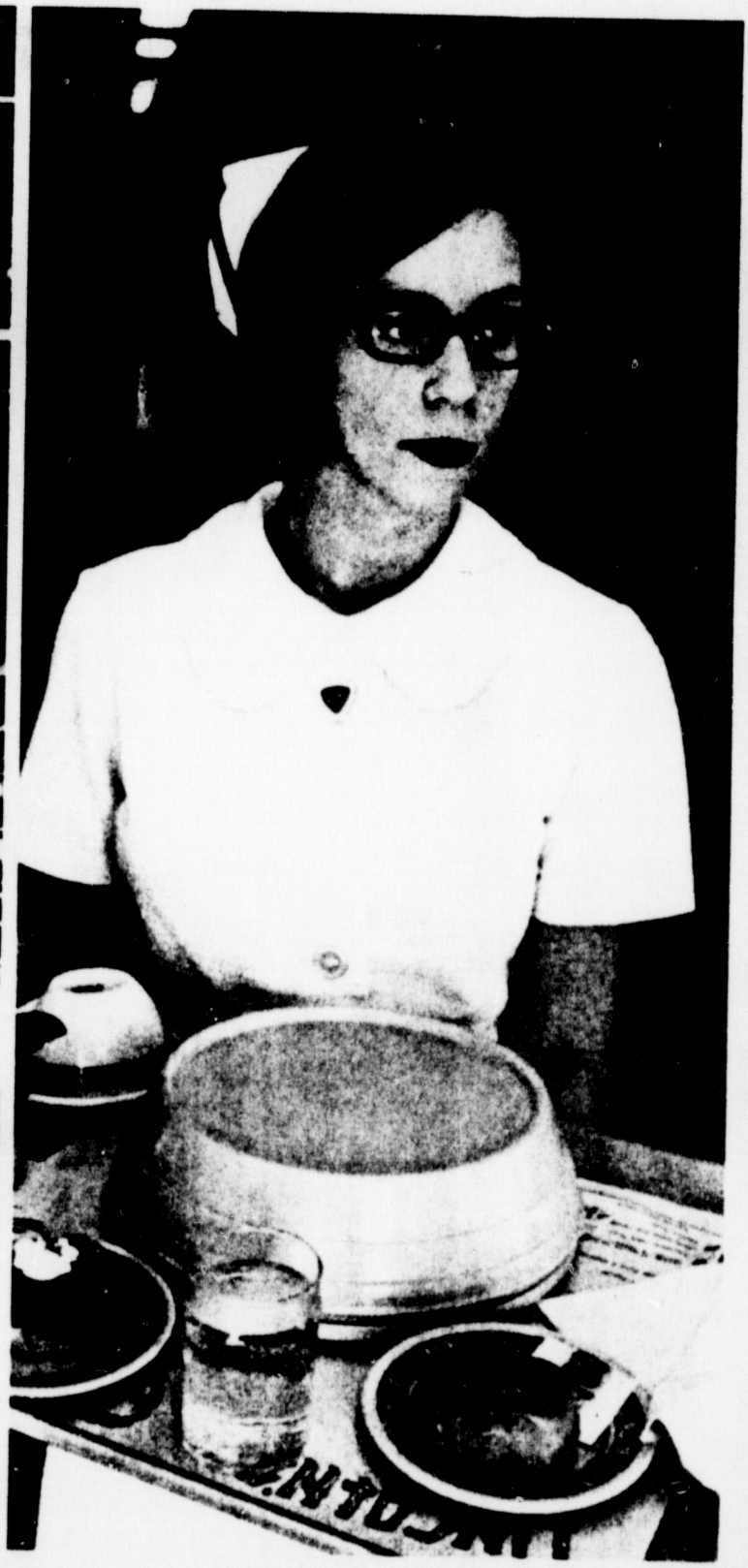
Restaurants. Ancorp's restaurants are for the most part located in fast-growing travel and recreation markets. The company's snack bars, cafeterias, coffee shops, cocktail lounges and quality restaurants offer welcome respite to travelers in air, train and bus terminals as well as in highway service areas. Americans at play dine at Ancorp's growing network of facilities in parks, stadiums, arenas and exposition centers. Imaginatively conceived specialty restaurants attract discriminating diners in major cities and in expanding suburban areas from coast to coast.

Industrial and Institutional Services. Through its Crotty Brothers and Boatel subsidiaries, Ancorp is a major factor in the fast growing institutional and industrial food services field. Food services have more and more become an integral part of business operations and the packages of fringe benefits offered to attract and retain employees. To provide these services, sophisticated companies look to professional outside management who can maintain high quality standards efficiently and economically. Ancorp's Crotty Brothers subsidiary has successfully served the executives and employees of leading corporations for over 35 years.

Crotty Brothers is also a leading supplier of food services to schools, colleges, hospitals and extended care facilities. Both public and private institutions are increasingly aware that outside food management services yield greater value for expenditures and release professional personnel to engage in activities more compatible with their training and expertise. Recognizing the close relationship between patient morale and food services, health care institutions are seeking quality, variety and interest in patient feeding; Crotty excels in meeting each of these criteria.

An extension of industrial feeding services and one that offers potential for exponential growth in the future is the company's Boatel operation. Boatel provides feeding and ancillary services for industry in remote areas. Its primary customers are oil companies engaged in off-shore operations and in the Alaskan North Slope. This market is expected to grow substantially in the near future. At the same time, the company believes that the expertise acquired in serving the oil industry can be successfully applied to other industries involved in remote location activities.

Institutions are turning increasingly to outside specialists for food service management. In this New England hospital, varied, interesting meals are prepared and delivered to patients' rooms in minutes under Crotty Brothers' supervision.



Exposition and Convention Facilities. Because of the broad range of Ancorp's food service capabilities, the company is uniquely qualified to undertake the extensive catering and concession operations of large, permanent exposition and convention centers. Start-up costs for facilities at the huge Rivergate Exhibition Center in New Orleans and the permanent California Exposition at Sacramento have penalized earnings in recent years; both of these operations are now on stream and are expected to make increasing contributions to both sales and earnings as utilization expands.

At Rivergate, located within walking distance of New Orleans' famed French Quarter, Ancorp operates banquet facilities with a total capacity of up to 15,000 people for luncheons and dinners. The company also operates the Rivergate cafeteria and cocktail lounge. Rivergate now has bookings for major conventions well into the second half of the decade.

Ancorp serves a number of recreation and exposition centers, including CalExpo, the Louisville Fair Grounds, New Orleans' Municipal Auditorium and Georgia's famous Jekyll Island. The company also operates in state parks and on throughways and turnpikes.

Vending Machines. Almost all of Ancorp's food service activities include some utilization of vending machines. The company's ANCO Division is a major supplier of vending machine services to business and industry. ANCO's services are extremely flexible, enabling the division to tailor its installations, ranging from single units to entire mechanized cafeterias, precisely to the needs of its customers.

Retail Services

Ancorp's retail services have expanded greatly from the company's original on-train sales of newspapers and snacks. Today, Ancorp has hundreds of retail outlets, including news stands, gift and novelty shops, drug stores, tobacco shops and full scale "Merchandise Marts" with a broad range of consumer products. These are located in high traffic areas in hotels, office buildings, major transportation terminals and mass transit facilities.

Wholesale Services

Ancorp's extensive network of sales and distribution facilities enables the company to offer superior service to customers and suppliers alike. The company's wholesale branches, geographically situated to provide overnight delivery to virtually every major American market, handle books, stationery, advertising specialties and magazines subscriptions. These outlets also perform marketing and distribution functions for Ancorp's own American Match Company, a major producer of custom designed book matches, and the Hopson Marketing Division, which offers a unique background music system. The Nemrow Division's wholesale lines include tobacco products, candy, gifts and novelties.

Ancorp is the nation's largest wholesaler of books for schools and libraries and can be expected to benefit from the continuing expansion of the nation's educational facilities. The book division is capable of supplying single volumes or complete "instant libraries" for institutions of all sizes serving all age levels. The company also participates in a number of government sponsored programs, such as United States Information Agency libraries and AID programs.

The addition of office furniture and equipment with their higher profit margins to Ancorp's commercial stationery and school supply lines is continuing. Art supplies, added earlier, are enjoying increasing demand as a result of greater emphasis on cultural pursuits at all educational levels and the overall expansion of leisure time activities.

The demand for advertising specialties and custom designed matches continues to expand as businesses of all types implement more and more promotional tools to keep their names before the public. Ancorp's advertising specialty items cover a full range of products for home and office use, each designed to have strong utilitarian and esthetic appeal. American Match, currently Ancorp's only manufacturing unit, is also benefitting from increasing demand for tastefully designed and well produced book matches used to advertise products and services. With a completely new plant in Reno, Nevada and its recently renovated Zanesville, Ohio facility, American Match can expand production to keep pace with growing demand without heavy capital outlays.

Ancorp's new Drug Mart and Coffee Shop is one of numerous installations the company maintains in New York's busy Pennsylvania Station complex, which has been completely remodelled.

Ancorp is also participating in the expanding market for corporate sales incentive and premium programs. Through its Clinton Square Division, Ancorp offers a broad range of quality, brand name products to corporations, sales organizations and retail outlets.

The Hopson Marketing Division's unique background music system continues to gain broad acceptance among operators of major office buildings, restaurants, retail stores and other facilities frequented by the public. Because the music source for the system is located on the user's premises, programs can be developed to meet specific requirements, to support special in-store promotions and to permit interspersion of live or taped announcements. The Ancorp system also provides a greater variety of music programs throughout the year at costs considerably less than most major competing systems.

The Nemrow Division operates 12 wholesale outlets in the New England area. The division has expanded its lines to include gifts and novelties and proprietary drug items as well as tobacco products, candy and sundries.

Ancorp People

Maintenance of high standards of quality service, the foundation of all Ancorp operations, requires the dedicated efforts of thousands of loyal, imaginative and highly capable employees. The contributions of Ancorp people to past successes and to the development and execution of programs for future progress are immeasurable; without question they represent the company's greatest asset.

Ancorp's ability to attract and retain highly qualified employees at all levels has enabled it to adhere to a policy of promotion from within. Every member of Ancorp's corporate management team is thoroughly grounded in the company's operations, because each has spent extensive time at the operating level. Although the average age of corporate management is only 52, average length of service with the company exceeds 30 years. At the division level, management's age is under 50, but average service with Ancorp approaches 25 years.

This inventory of skills at all levels assures continued strength in management and continued growth of the company's reputation for superior service in all of its operating areas. Ancorp people are successful people working for the continued success of the company.

William G. Gillman
Vice President–
Retail and Food Operations

John Lacerra
Vice President
Stationery

Robert C. Dennis
President
American Match Co.

John A. Hopson
Vice President
Hopson Marketing Division

Abraham H. Fogel
Vice President–
Nemrow Division

Stanley M. Simon
Vice President and
Controller

Michael J. Kilfeather
Vice President and
Treasurer

William J. Bliss
Vice President and Secretary

John P. Scully
Vice President

Joseph M. Christie
Vice President–
Books

Ralph Florea
Vice President–
Advertising Specialties

Chester W. Crater
Vice President–
Ancorp Branch Operations

fred D'Ambrosio
e President

John P. Kuchta
President–Boatel, Inc.

William A. Golden
President–Crotty Brothers, Inc.

Ancorp National Services, Inc.

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Consolidated Statement of Income and Retained Earnings

Years Ended January 2, 1970 and January 3, 1969

	1969 (52 weeks)	1968 (53 weeks)
Net sales	$169,797,652	$168,922,578
Costs and expenses:		
Cost of sales	99,940,587	102,227,662
Selling, general and administrative expenses	63,986,132	60,162,531
Depreciation and amortization	2,747,461	2,277,089
	166,674,180	164,667,282
Operating income	3,123,472	4,255,296
Miscellaneous income—net	805,912	585,201
	3,929,384	4,840,497
Interest expense	857,358	548,443
Income before provision for federal income tax	3,072,026	4,292,054
Provision for federal income tax (Note 6):		
Current	615,000	1,245,000
Deferred	152,000	263,000
	767,000	1,508,000
Net income (per share: $1.43 in 1969; $1.80 in 1968) (Note 5)	2,305,026	2,784,054
Retained earnings, beginning of year	24,469,031	23,239,067
	26,774,057	26,023,121
Cash dividends, $1.00 per share	1,622,276	1,554,090
Retained earnings, end of year (Note 3)	$25,151,781	$ 24,469,031

See notes to financial statements.

Ancorp National Services, Inc.

Consolidated Statement of Source and Application of Funds

Years Ended January 2, 1970 and January 3, 1969

	1969 (52 weeks)	1968 (53 weeks)
Source:		
Net income	$2,305,026	$2,784,054
Depreciation and amortization	2,747,461	2,277,089
Provision for deferred federal income tax	152,000	263,206
	5,204,487	5,324,349
Net current assets of business acquired for common stock	298,294	—
Exercise of stock options	—	136,572
Other—net	426,133	105,710
	5,928,914	5,566,631
Application:		
Dividends paid	1,622,276	1,554,090
Net additions to fixed assets	7,376,216	7,208,726
Acquisition of treasury stock	129,823	30,064
Decrease in long-term debt	989,000	989,000
	10,117,315	9,781,880
Decrease in working capital	$4,188,401	$4,215,249

See notes to financial statements.

Ancorp National Services, Inc.

Consolidated Balance Sheet

At January 2, 1970 and January 3, 1969

Assets:	January 2, **1970**	January 3, **1969**
Cash	$ 5,998,596	$ 6,088,665
Receivables, less allowances of $320,000 and $411,000	16,945,320	15,174,481
Merchandise inventories, at lower of cost (first-in, first-out and retail methods) or market	18,485,215	16,939,365
Prepaid expenses	1,121,075	1,247,763
Total current assets	42,550,206	39,450,274
Fixed assets, at cost:		
Land	1,027,912	883,411
Buildings	4,772,207	4,632,334
Fixtures, equipment and leasehold improvements	36,087,046	29,949,241
	41,887,165	35,464,986
Less accumulated depreciation and amortization (Note 6)	13,843,089	12,638,170
	28,044,076	22,826,816
Deferred charges and other assets	3,401,869	3,727,522
Excess of investment cost over net assets of acquired businesses (Note 2)	2,097,621	2,109,871
	$76,093,772	$68,114,483

See notes to financial statements.

	January 2, 1970	January 3, 1969
Liabilities:		
Accounts payable and accrued liabilities	$22,998,778	$20,937,849
Notes payable	9,043,901	4,056,063
Federal income tax	329,148	89,582
Current portion of long-term debt (Note 3)	989,000	989,000
Total current liabilities	33,360,827	26,072,494
Long-term debt, noncurrent portion (Note 3):		
4⅞% Notes due through 1983	5,055,000	5,444,000
Note due through June 1972	900,000	1,500,000
	5,955,000	6,944,000
Deferred federal income tax (Note 6)	1,112,916	960,916
Shareholders' Equity (Notes 1, 2, 3 and 4):		
Preferred stock, no par value, authorized 1,000,000 shares; issued—none	—	—
Common stock, no par value, authorized 3,500,000 shares; issued 1,828,303 shares in 1969 and 1968	14,610,660	14,075,050
Retained earnings	25,151,781	24,469,031
	39,762,441	38,544,081
Less shares in treasury, at cost: 201,788 in 1969; 220,914 in 1968	4,097,412	4,407,008
	35,665,029	34,137,073
	$76,093,772	$68,114,483

Notes to Financial Statements

1. In April 1969, the Company's shareholders authorized the change in name from The American News Company to Ancorp National Services, Inc., an increase in the authorized common stock from 2,000,000 shares to 3,500,000 shares and the establishment of a new class of preferred stock with 1,000,000 authorized shares.

2. The consolidated financial statements include the accounts of the Company and all subsidiaries.

During 1969, the Company purchased various businesses for an aggregate of $1,323,950, including the value assigned to 22,026 shares of common stock issued in connection with these transactions. Some of the shares issued are subject to subsequent adjustment, including possible issuance of additional shares and other payments contingent upon the future price of the Company's common stock and, in one instance, upon future earnings of the business acquired. The operations of businesses acquired were included in the consolidated statement of income from the dates of acquisition.

The excess of the investment cost over amounts allocated to specific net assets of businesses acquired is not being amortized because, in the opinion of management, there has been no decrease in value.

3. The 4⅞% notes payable are due in annual instalments of $389,000 through 1983. The note payable due through June 1972, on which interest is fixed at ½% above the prime rate (8½% at April 10, 1970), is payable in quarterly instalments of $150,000. Pursuant to the most restrictive provisions of the related loan agreements, approximately $7,590,000 of retained earnings at January 2, 1970 was not restricted as to the payment of cash dividends. In addition, the Company is required to have a minimum working capital of $10,000,000 on or after January 1, 1971.

4. Outstanding common stock (without par value) increased by 19,126 shares during 1969, consisting of 22,026 treasury shares delivered in the transactions referred to in Note 2, less 2,900 of these shares which were subsequently reacquired. The excess of the aggregate value of $975,029 assigned to the shares delivered over their related cost of $439,419 was credited to common stock. The cost of treasury shares reacquired was $129,823.

The following options were outstanding at January 2, 1970 under the Company's Employee Stock Option Plan:

Date of grant	Number of shares	Option price
January 30, 1968	8,250	$32.13
January 14, 1969	5,950	50.25

At January 2, 1970, 35,800 shares were available for grant and were granted on January 15, 1970.

All options were granted at the market value on date of grant, become exercisable after eighteen months and expire five years from date of grant. No options were exercised during the year ended January 2, 1970.

5. Net income per share is based upon the average number of common shares outstanding during each year. No material dilution in net income per share would result if it were assumed that outstanding stock options were exercised and shares contingently issuable were issued.

6. The provision for federal income tax for 1969 is reduced by an investment credit of $431,000 ($401,000 in 1968) and certain other factors, some of which are not recurring. Deferred federal income tax arises primarily from the use of accelerated methods of depreciation for tax purposes whereas the straight-line method is used for financial reporting.

7. The Company has a contributory trusteed pension plan available to all employees, not otherwise covered, who elect to participate upon meeting certain age and length-of-service requirements. The Company's contribution for current service costs was approximately $176,000 in 1969 and $215,000 in 1968, there being no past service liability under this plan. In addition, the Company received refunds of $453,000 in 1969 and $353,000 in 1968 representing gains realized from insured group annuity contracts which cover pension requirements of a prior plan. These refunds are included in income.

8. A substantial portion of the Company's business is conducted under lease and concession agreements. Total rent expense in 1969 including amounts calculated on percentage of sales approximated $9,000,000. This includes approximately $4,600,000 applicable to long-term agreements, the average remaining life of which is seven years.

9. The Company's financial statements could be affected by certain contingencies involving antitrust matters; however, management and counsel are of the opinion that the Company's liability, if any, will not be material in relation to the Company's financial position or results of operations. These matters include actions in which a number of book publishing companies and distributors, including the Company, were named as defendants.

Report of Certified Public Accountants

To the Shareholders and Board of Directors
Ancorp National Services, Inc.

We have examined the accompanying consolidated balance sheet of Ancorp National Services, Inc. at January 2, 1970 and the related consolidated statements of income and retained earnings and of source and application of funds for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not receive responses to a portion of our requests for confirmation of accounts receivable, as to which we employed other auditing procedures.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Ancorp National Services, Inc. at January 2, 1970 and its consolidated results of operations and source and application of funds for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The consolidated financial statements for the prior fiscal year were examined by other certified public accountants.

Arthur Young & Company

New York, N.Y.
April 10, 1970

Ancorp National Services, Inc.

Ten Year Statistical Summary

	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
For the year:										
Net sales*	169,798	168,923	166,723	131,117	125,240	123,435	131,906	131,647	126,225	120,041
Income before Federal income taxes*	3,072	4,292	5,540	5,109	4,464	3,454	2,119	1,254	3,666	3,610
Net income*	2,305	2,784	3,085	2,759	2,510	1,974	1,252	986	2,039	1,971
Percent of net income to:										
Sales	1.36%	1.65%	1.85%	2.10%	2.00%	1.60%	.95%	.75%	1.62%	1.64%
Stockholders' equity	6.46%	8.16%	10.3%	9.72%	9.36%	7.47%	4.81%	3.67%	6.95%	6.83%
Dividends paid*	1,622	1,554	1,534	1,535	1,485	1,500	1,528	1,558	1,589	1,598
Amount per share:										
Net income†	1.43	1.80	2.01	1.80	1.66	1.29	.82	.63	1.26	1.22
Dividends paid	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Stockholders' equity†	21.92	21.24	19.46	18.46	17.77	17.29	16.99	17.23	18.10	17.84
At year end:										
Current assets*	42,550	39,450	38,078	32,254	29,583	26,390	29,196	29,204	30,501	27,164
Current liabilities*	33,361	26,072	20,485	16,723	15,343	11,541	17,184	17,447	20,846	16,501
Working capital*	9,189	13,378	17,593	15,531	14,240	14,849	12,012	11,757	9,655	10,663
Ratio	1.3	1.5	1.9	1.9	1.9	2.3	1.7	1.7	1.5	1.6
Long term debt*	5,955	6,944	7,933	6,522	7,211	7,900	7,000	6,000	—	—
Stockholders' equity*	35,665	34,137	29,813	28,374	26,829	26,416	26,048	26,837	29,357	28,877
Shares issued and outstanding*†	1,627	1,607	1,532	1,537	1,510	1,528	1,533	1,558	1,622	1,619
Shareholders	4,500	4,600	5,400	5,500	5,400	5,300	4,200	4,000	3,900	4,100

*In thousands.

†Adjusted for 2% stock dividend in 1966.

Corporate Directory

Directors

Henry Garfinkle
Chairman of the Board and Chief Executive Officer of the Corporation

Oscar A. Doob
Public Relations Consultant

Andrew J. Crotty, Jr.
Chairman of the Board of Crotty Brothers, Inc., a wholly owned subsidiary

Leo F. Daley
Senior Vice President, Harris Upham & Co., Inc., investment bankers

William A. McCollough
President of the Corporation

Harry Marley
Attorney and Business Executive

Michael J. Kilfeather
Vice President and Treasurer of the Corporation

Arthur F. McGinness
Senior Vice President, Chemical Bank

David Burstein
Senior Partner in law firm of Hale and Dorr

William A. Golden
President of Crotty Brothers, Inc., a wholly owned subsidiary

Corporate Officers

Henry Garfinkle
Chairman of the Board and Chief Executive Officer

William A. McCollough
President

William J. Bliss
Vice President and Secretary

Alfred D'Ambrosio
Vice President

Michael J. Kilfeather
Vice President and Treasurer

John P. Scully
Vice President

Stanley M. Simon
Vice President and Controller

Mildred L. Morrison
Assistant Treasurer

Joseph P. Kiernan
Assistant Secretary

Joseph J. Moran
Assistant Secretary

Martin Ahl
Assistant Controller

Jerome Goodman
Assistant Controller

Divisional Officers

Joseph M. Christie
Vice President–Books

Lawrence F. Murphy
Assistant Vice President–Books

Chester W. Crater
Vice President–Ancorp Branch Operations

Ralph Florea
Vice President–Advertising Specialties

Saul Myron
Assistant Vice President–Advertising Specialties

Abraham H. Fogel
Vice President–Nemrow Division

William G. Gillman
Vice President–Retail and Food Operations

Joseph R. Melis
Assistant Vice President–Retail and Food Operations

John A. Hopson
Vice President–Hopson Marketing Division

John Lacerra
Vice President–Stationery

Arthur Feuer
Assistant Vice President–Retail and Food Purchasing

Lawrence D'Amato
Assistant Vice President–Vending Operations

George Hanna
Assistant Vice President–Construction

Melvin S. Karpoff
Assistant Vice President–Food Service Operations

Subsidiaries' Officers

American Match Company

Robert C. Dennis, President
Paul J. Kunkel, Vice President
Kenneth Brill, Assistant Vice President

Boatel, Inc.

John P. Kuchta, President
Patricia L. Crowley, Vice President
Louis Hebert, Executive Vice President–Boatel Alaska, Inc.

Crotty Brothers, Inc.

William A. Golden, President
James J. Doherty, Vice President and Treasurer
Florence Weisslinger, Controller

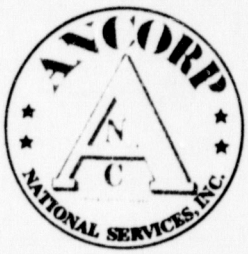
Transfer Agent First National City Bank, 111 Wall Street, New York, N.Y. 10015

Registrar Manufacturers Hanover Trust Company, Four New York Plaza, New York, N.Y. 10015

The Common Stock of the Company has been listed on the New York Stock Exchange since 1930.

Executive Offices 131 Varick Street, New York, N.Y. 10013

1009a



ANCORP NATIONAL SERVICES, INC.

ANNUAL REPORT

Financial Highlights

	1970	1969
Net sales	$158,838,878	$169,797,652
Net earnings	1,275,847	2,305,026
Per share	.84	1.43
Dividends paid	1,491,553	1,622,276
Per share	1.00	1.00
Working capital	12,026,843	9,189,379
Shareholders' equity	32,658,467	35,665,029
Per share	22.94	21.92

Annual Meeting The Annual Meeting of shareholders will be held on Wednesday, April 28, 1971, at 11 A.M., at Ancorp National Services, Inc. offices at 131 Varick Street, New York City.

IN MEMORIAM

November 18, 1970

DAVID BURSTEIN, Director and Counsel

This distinguished lawyer gave unsparingly of his time and talents to the interests of the Company and his devotion to Company affairs will always be remembered.

Henry Garfinkle

William A. McCollough

To Our Shareholders:

Although profits were adversely affected by the combination of a declining economy and increased operating costs in 1970, your Company was able to avoid the severe dislocations and heavy losses that occurred in many business sectors during the year.

Net earnings for the year including extraordinary items was $1,275,847, or $.84 per share, on sales of $158,838,878. This compares with net earnings of $2,305,026, or $1.43 per share, on sales of $169,797,652 in the previous year.

The decline in revenues was felt in most of our major operating areas. Although strict cost control programs and more efficient operating procedures were instituted during the year, they did not become fully effective quickly enough to prevent a decrease in profitability. These programs have been expanded in the current year, and barring further deterioration in the economy, we are confident of strong improvement in 1971.

Our record of the longest string of uninterrupted dividend payments, beginning when the Company was founded in 1864, has been extended through 1970 and into the current year. Our 617th consecutive dividend was paid on March 20, 1971 to shareholders of record March 10. This record of over a century of dividend payments is one of which we are justifiably proud.

Our $30 million capital expansion program of the '60s is out of the way, as are the related start-up costs for new facilities. Important new operations, such as those at the Rivergate in New Orleans, the new Penn Terminal complex and the American Stock Exchange in New York, and Crocker Plaza in San Francisco are now beginning to contribute income.

Ancorp's outlook for the remainder of the current decade is bright. Management has redirected its current resources into areas which promise greater growth and profitability in the future. We wish to express our appreciation to our fellow employees and our fellow shareholders for their support and confidence.

Respectfully,

Henry Garfinkle
Chairman and Chief Executive Officer

W. A. McCollough

William A. McCollough
President

March 30, 1971

Operations

ANCORP—Superior Service in Expanding Markets

ANCORP's range of services extends to broad, basic markets which are expected to continue to pace the growth of the economy in the foreseeable future. ANCORP is participating effectively in the increase of both business and tourist travel; in the proliferation of recreation and leisure activities and in the national expansion of health care facilities and educational institutions. In addition, the Company provides numerous services to business, industry and government agencies.

Both business traveler and vacationers patronize ANCORP restaurants, cocktail lounges, coffee shops, snack bars, newsstands and retail shops in major transportation centers throughout the country. The Company operates high volume facilities in 33 air terminals, 74 rail and bus stations and 34 hotels. Motorists are able to stop at ANCORP food service facilities along the important New York Thruway.

Americans are spending more time and money in recreation and leisure time activities, both in their own communities and in facilities away from home. ANCORP operates food and retail facilities in numerous recreational centers, including parks, convention halls, athletic stadiums, fair grounds, expositions and amusement parks. ANCORP's more than 400 food and cocktail establishments offer quality food and excellent service at reasonable cost in both commercial and suburban locations throughout the country.

In both public and private institutions, ANCORP provides expert food service management that yields greater value, quality and variety than most hospitals, extended care facilities, schools or universities can provide for themselves. These same services are extended to business and industry through the operation of employee and executive dining rooms and cafeterias, mobile coffee cart service and a broad range of vending machine services. The Company provides food and ancillary services to the oil and construction industries in remote locations, including off-shore.

ANCORP also serves schools, libraries and other educational institutions through its book and stationery divisions. The nation's largest book wholesaler, ANCORP provides library services for institutions of all sizes with readers in all age ranges. The Company's stationery division supplies a broad line of paper goods, art materials and office equipment and furniture to business and industry as well as to all types of institutions.

Ancorp National Services, Inc.

Consolidated Statement of Earnings and Retained Earnings

Years Ended January 1, 1971 and January 2, 1970

	1970	1969
Net sales	$158,838,878	$169,797,652
Cost and expenses:		
Cost of sales	89,843,244	99,940,587
Selling, general and administrative expenses	64,967,565	63,986,132
Depreciation and amortization	3,019,337	2,747,461
	157,830,146	166,674,180
Operating income	1,008,732	3,123,472
Miscellaneous income—net	1,307,093	805,912
	2,315,825	3,929,384
Interest expense	1,308,178	857,358
Earnings before provision for federal income tax and extraordinary items	1,007,647	3,072,026
Provision for federal income tax (Note 5):		
Current	(135,000)	615,000
Deferred	287,000	152,000
	152,000	767,000
Earnings before extraordinary items	855,647	2,305,026
Extraordinary items, net of applicable federal income tax ($.28 per share) (Notes 4, 6 and 8)	420,200	—
Net earnings (per share: $.84 in 1970; $1.43 in 1969) (Note 4)	1,275,847	2,305,026
Retained earnings, beginning of year	25,151,781	24,469,031
	26,427,628	26,774,057
Cash dividends, $1.00 per share	1,491,553	1,622,276
Retained earnings, end of year (Note 2)	$ 24,936,075	$ 25,151,781

See accompanying notes to consolidated financial statements.

Ancorp National Services, Inc.

Consolidated Balance Sheet

At January 1, 1971 and January 2, 1970

Assets	January 1, 1971	January 2, 1970
Current Assets:		
Cash	$ 5,404,692	$ 5,998,596
Receivables, less allowances of $200,000 and $320,000	15,524,411	16,945,320
Merchandise inventories, at lower of cost (first-in, first-out and retail methods) or market	18,931,515	18,485,215
Prepaid expenses	1,643,651	1,121,075
Total current assets	41,504,269	42,550,206
Fixed assets, at cost:		
Land	1,123,211	1,027,912
Buildings	4,905,884	4,772,207
Fixtures, equipment and leasehold improvements	40,071,095	36,087,046
	46,100,190	41,887,165
Less accumulated depreciation and amortization (Note 5)	15,880,869	13,843,089
	30,219,321	28,044,076
Deferred charges and other assets	4,298,109	3,401,869
Excess of investment cost over net assets of acquired businesses (Note 1)	2,090,871	2,097,621
	$78,112,570	$76,093,772

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	January 1, 1971	January 2, 1970
Current Liabilities:		
Accounts payable and accrued liabilities	$22,796,758	$22,998,778
Notes payable	5,116,668	9,043,901
Federal income tax	175,000	329,148
Current portion of long-term debt (Note 2)	1,389,000	989,000
Total current liabilities	29,477,426	33,360,827
Long-term debt, noncurrent portion (Note 2):		
Notes due through December 1983	4,666,000	5,055,000
Notes due through April 1976	9,000,000	—
Note due through June 1972	—	900,000
	13,666,000	5,955,000
Deferred federal income tax (Note 5)	2,310,677	1,112,916
Shareholders' Equity (Notes 1, 2 and 3):		
Preferred stock, no par value, authorized 1,000,000 shares; issued—none	—	—
Common stock, no par value, authorized 3,500,000 shares; issued 1,828,303 shares in 1970 and 1969	14,762,824	14,610,660
Retained earnings	24,936,075	25,151,781
	39,698,899	39,762,441
Less common stock in treasury, at cost: 404,344 in 1970; 201,788 in 1969	7,040,432	4,097,412
	32,658,467	35,665,029
	$78,112,570	$76,093,772

Ancorp National Services, Inc.

Consolidated Statement of Source and Application of Funds

Years Ended January 1, 1971 and January 2, 1970

	1970	1969
Source:		
Net earnings	$ 1,275,847	$ 2,305,026
Depreciation and amortization	3,019,337	2,747,461
Increase in deferred federal income tax	1,197,761	152,000
	5,492,945	5,204,487
Net current assets of business acquired for common stock	132,131	298,294
Increase in long-term debt	7,711,000	—
Other—net	—	426,133
	13,336,076	5,928,914
Application:		
Dividends paid	1,491,553	1,622,276
Net additions to fixed assets	5,000,647	7,376,216
Acquisition of treasury stock	3,085,275	129,823
Decrease in long-term debt	—	989,000
Other—net	921,137	—
	10,498,612	10,117,315
Increase (decrease) in working capital	$ 2,837,464	($ 4,188,401)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. The consolidated financial statements include the accounts of the Company and all subsidiaries.

During 1970, the Company purchased various businesses for an aggregate of $367,419 including $294,419 assigned to 8,178 shares of common stock issued in connection with these transactions. Some of the shares issued are subject to subsequent adjustment, including possible issuance of additional shares and other payments contingent upon the future price of the Company's common stock and, in one instance, upon future earnings of the business acquired. The operations of businesses acquired were included in the consolidated statement of earnings from the dates of acquisition.

The excess of the investment cost over amounts allocated to specific net assets of businesses acquired is not being amortized because, in the opinion of management, there has been no decrease in value.

2. The Company, during 1970, refunded certain existing debt by borrowing $10,000,000 from two banks. The credit agreement provides for interest at ½% in excess of the prime rate and, subject to certain conditions, for the conversion of the debt, on its due date, April 30, 1971 into five year term loans payable in quarterly installments of $500,000 beginning July 31, 1971 with interest at ½% in excess of the prime rate. $1,000,000 of the debt has been classified as a current obligation and $9,000,000 as long term debt since it is the Company's intention to exercise its conversion right under the credit agreement.

The notes due through December 1983 bear interest at 4⅞% to April 1, 1971 and 5⅞% thereafter, and are payable in annual installments of $389,000.

The underlying agreements, as amended, for both obligations contain certain restrictions on the payment of cash dividends and the maintenance of minimum working capital. Subject to meeting the minimum working capital requirement, approximately $4,300,000 of retained earnings at January 1, 1971 was not restricted as to the payment of dividends. Working capital is required to be maintained at $11,500,000 until July 1, 1971 and $16,500,000 thereafter.

3. Outstanding common stock, no par value, decreased by 202,556 shares during 1970, consisting of 210,734 acquired as treasury stock, less 8,178 shares which were delivered in the transactions referred to in Note 1. The excess of the aggregate value of $152,164 assigned to the shares delivered over their related cost of $142,255 was credited to common stock. The cost of treasury shares reacquired was $3,085,275.

The following options were outstanding at January 1, 1971, under the Company's Employee Stock Option Plan:

Date of grant	Number of shares	Option price per share
January 30, 1968	8,250	$32.13
January 14, 1969	5,950	50.25
January 15, 1970	35,800	20.00

All options were granted at the market value on date of grant, become exercisable after eighteen months and expire five years from date of grant. No options were exercised during the year ended January 1, 1971.

4. Per share amounts are based upon the weighted average number of common shares outstanding during each year. No material dilution in per share amounts would result if it were assumed that outstanding stock options were exercised and contingent shares were issued.

5. The provision for federal income tax for 1970 is reduced by an investment credit of $247,000 ($431,000 in 1969). Deferred federal income tax arises primarily from the use of accelerated methods of depreciation for tax purposes whereas the straight-line method is used for financial reporting. The Company and its subsidiaries have in the past filed separate federal income tax returns.

6. The Company has a contributory trusteed pension plan available to all employees, not otherwise covered, who elect to participate upon meeting certain age and length-of-service requirements. The Company's contribution for current service costs was approximately $140,000 in 1970 ($176,000 in 1969), there being no past service liability under this plan. Dividends have been received annually from a previous pension plan in an amount determined by the insurance company holding the fund to be no longer actuarially required. The dividends have been included in income in the year received. The Company obtained an actuarial valuation of the plan which indicated overfunding of approximately $1,410,000 at January 2, 1970, and accordingly is including $452,000 in income ($453,000 in 1969). The balance ($958,000) after applicable deferred federal income tax ($459,800) is included as an extraordinary credit. Future dividends will be credited directly to the resulting receivable.

7. A substantial portion of the Company's business is conducted under lease and concession agreements. Total rent expense in 1970 including amounts calculated on percentage of sales approximated $9,500,000. This includes approximately $4,500,000 applicable to long-term agreements, the average remaining life of which is seven years.

8. The Company is a defendant in several actions for alleged violations of a Federal Trade Commission order and the anti-trust laws of the United States. The Company and its counsel are of the opinion that on the whole the actions are without merit and their commencement was wholly unjustified and that the Company's liability, if any, in excess of $150,000 (subject to deferred federal income tax benefit of $72,000) provided as an extraordinary charge during the year, will not be material.

Report of Certified Public Accountants

The Shareholders and Board of Directors
Ancorp National Services, Inc.

We have examined the consolidated balance sheet of Ancorp National Services, Inc. and subsidiaries as of January 1, 1971 and the related statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements for the year ended January 2, 1970, included for comparative purposes, were examined by other certified public accountants.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings and retained earnings and source and application of funds present fairly the financial position of Ancorp National Services, Inc. and subsidiaries at January 1, 1971, the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

New York, N.Y.
March 30, 1971

Corporate Directory

Directors

Henry Garfinkle
Chairman of the Board and Chief Executive Officer of the Corporation

Oscar A. Doob
Public Relations Consultant

Andrew J. Crotty, Jr.
Chairman of the Board of Crotty Brothers, Inc., a wholly owned subsidiary

Leo F. Daley
Senior Vice President, Harris Upham & Co., Inc., investment bankers

William A. McCollough
President of the Corporation

Harry Marley
Attorney and Business Executive

Michael J. Kilfeather
Vice President and Treasurer of the Corporation

William A. Golden
President of Crotty Brothers, Inc., a wholly owned subsidiary

William D. Eckert
Lt. General, U.S. Air Force (Retired)

Corporate Officers

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Chairman of the Board and Chief Executive Officer

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President

William J. Bliss
Vice President and Secretary

Alfred D'Ambrosio
Vice President

Michael J. Kilfeather
Vice President and Treasurer

John P. Scully
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Stanley M. Simon
Vice President and Controller

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Assistant Vice President–Vending Operations

George Hanna
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Melvin S. Karpoff
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The Common Stock of the Company has been listed on the New York Stock Exchange since 1930

Executive Offices 131 Varick Street, New York, N.Y. 10013

Ancorp National Services, Inc.

Annual Report 1971

Ancorp National Services, Inc.

COVER
The cover montage symbolizes the principal services performed by Ancorp and its subsidiaries for our customers throughout America.

Financial Summary

	1971	1970
Net sales and other revenue	$146,516,580	$160,145,971
Net earnings	83,506	1,275,847
Per share*	.05	.82
Cash dividends paid	868,909	1,491,553
Per share*	.60	.98
Working capital	9,582,629	12,026,843
Shareholders' equity	31,553,380	32,658,467
Per share*	21.73	22.48

*Adjusted for 2% Stock Dividend in 1971

FOOD SERVICES

Operations

Restaurants
Snack bars
Cafeterias
Coffee shops
Coffee carts
Cocktail lounges
Catering
Industrial and institutional feeding
Vending machines

Markets Served

Airline, railroad and bus passenger terminals
Subway systems
Schools, hospitals and nursing homes
Shopping centers
Office buildings
Hotels
Industrial plants
Employee cafeterias
Executive dining rooms
Civic centers
Convention and exposition centers
Stadiums
Recreational facilities
Turnpikes and thruways
Construction sites
Off-shore and remote site oil exploration and drilling facilities

WHOLESALE DIVISION

Operations

Books
Library services
Matches
Tobacco products
Candy
Proprietary drugs
Gifts and premiums
Stationery
Office furniture and equipment
Art supplies
Subscription services newspapers and magazines
Advertising specialties
Background music systems

Markets Served

Schools
Libraries
Government institutions
Retailers
Corporations
Vending machines
Restaurants
Hospitals
Nursing homes

RETAIL DIVISION

Operations

Gift and novelty shops
News stands
Tobacco shops
Drug stores
General merchandise marts

Markets Served

Hotels
Airline, railroad and bus passenger terminals
Subway systems
Office buildings
Parks
Convention and exposition centers
Turnpikes and thruways

ANNUAL MEETING: The Annual Meeting of stockholders will be held on Wednesday, April 26, 1972 at 11 a.m. at Ancorp National Services, Inc. offices at 131 Varick Street, New York City.

Henry Garfinkle

William A. McCollough

To Our Shareholders:

The year 1971 was a disappointing one for Ancorp National Services, Inc. The adverse business conditions affecting most sectors of the economy were experienced also by your Company and were reflected in reduced sales and earnings.

Net earnings including extraordinary items for 1971 were $83,506 or $0.05 per share, on net sales and other revenues of $146,516,580. These figures compare with 1970 net earnings including extraordinary items of $1,275,847 or $0.82 per share as adjusted for 2% stock dividend in 1971.

Our food service operations suffered greatly in the last half of 1971, under Phases I and II of the Federal wage price freeze. Many of the small suppliers we deal with were able to increase their prices to us without prior government approval, as shown by the price spiral of the last several months in meat, fish and fresh produce. This condition has had a temporary adverse effect on our profit margins, because under government regulations our corporation could not pass its increased costs and higher wages along in the form of price increases without prior government approval.

In March of 1972, a settlement was reached involving long standing litigation and is reflected as an extraordinary charge against 1971 income. Capital expenditures for new plant and equipment were down substantially for 1971. The Company has been concentrating its expansion program on projects requiring little or no capital investment. Substantially all start-up costs for new facilities have been charged to earnings as incurred, thus serving to depress results, during the past three years. All units are operational and are now contributing to sales and earnings. The Company owns many of the facilities used in its operations; including valuable leaseholds in prime locations throughout the country.

The outlook for continued growth in the institutional food services market is encouraging. Ancorp's acquisition policy is focused primarily upon our types of business that are natural adjuncts to service and whose operations can readily be fitted into the patterns that have been established by the Company.

Ancorp, established over 108 years ago as The American News Company, has paid 621 consecutive dividends since its organization early in 1864. This is a record unmatched in American business, and one of which your Company can well be proud.

It is with the greatest regret that we must report the deaths, during the past year, of two members of our Board of Directors and one Corporate Officer: Mr. Andrew J. Crotty, Jr., Chairman of Crotty Brothers, Inc., and a Director of Ancorp; Mr. William D. Eckert, Director; and Mr. William J. Bliss, Vice President and Secretary of the corporation. Their passing has been a severe blow to their colleagues and associates, and their long and valued services will not soon be forgotten.

The prospect for the future 70's is a bright one, and your Management has confidence that it will prove so for Ancorp. The patience, loyalty and hard work of our employees during the difficult months just past have been most gratifying. Their skill, enthusiasm, and dedication are the Company's most valued asset. We look to a better year ahead in all areas of our operation.

Respectfully,

Henry Garfinkle
Chairman and Chief Executive Officer

W. A. McCollough

William A. McCollough
President

March 31, 1972

Operations Superior Service in Expanding Markets

FOOD SERVICES

Ancorp's wide scope of food services range from vending machine installations, snack bars and cafeterias to fine restaurants and catering facilities capable of feeding thousands of people at a sitting. Hospitals, extended care facilities, schools, offices and factories across the nation are served by Ancorp institutional and industrial feeding operations, as are a growing number of offshore and remote oil drilling rigs on the North Slope of Alaska and in the Gulf of Mexico.

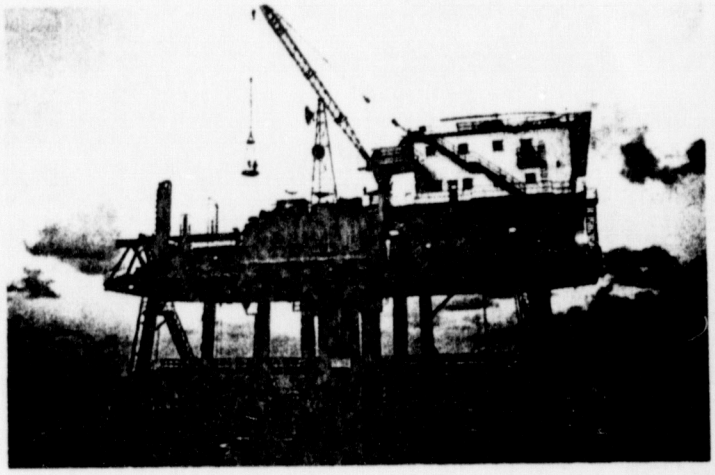
Food service operations at some 400 installations now generate 47% of the Company's sales and are expected to contribute an even greater portion of revenues as the full benefits of recent expansion and modernization programs are realized.

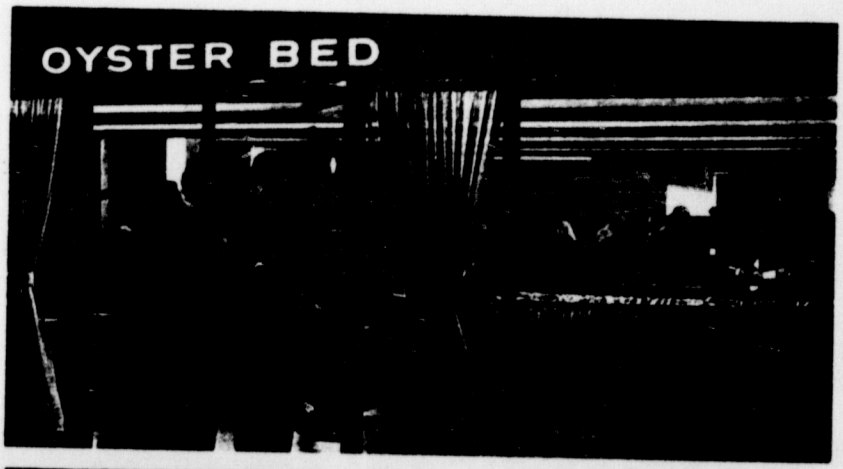
Restaurants: Ancorp's restaurants are, for the most part, located in fast-growing travel and recreation markets—at air, rail and bus terminals, business and tourist centers, and other high-traffic locations in 40 states. The Company's many snack bars, coffee shops, cafeterias and cocktail lounges offer welcome respite to travelers and tourists. Ancorp's growing network of dining facilities cater to vacationers and sports fans in stadiums, arenas, parks and exposition centers. Specialty restaurants, conceived with ingenuity and imagination, are attracting discriminating diners in major cities and suburban areas from coast to coast.

The Kwik Kettle in New York's busy Grand Central Terminal is typical of Ancorp fast-service snack bars serving the traveling public.

Industrial and Institutional Services: Through its subsidiaries, Crotty Brothers and Boatel, Inc.—and the recently acquired management of Globe Food Services —Ancorp has become a major factor in the expanding field of institutional and industrial food services. In today's business operations, in-plant cafeterias have become a standard part of the fringe benefits offered to attract and retain employees. This is good business, in terms of efficiency, employee satisfaction, and less time away from the job.

More and more companies are looking to outside organizations for these specialized services. Public and private institutions are becoming increasingly aware of the many advantages of contracting food management services: greater economy and value per budget dollar; better use of their own professional employees; improved quality and variety of menus. With a record of nearly 40 years of successful service to major corporations, Crotty Brothers excels in meeting the dining requirements of



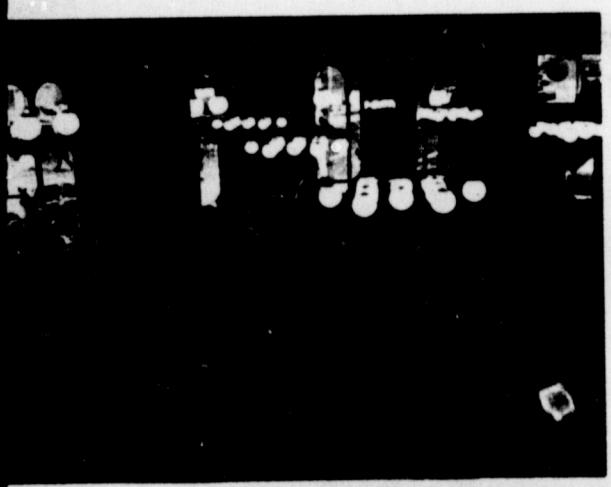


The Oyster Bed is a popular stop-off for commuters of the Pennsylvania and Long Island railroads at the new Penn Station in New York City.

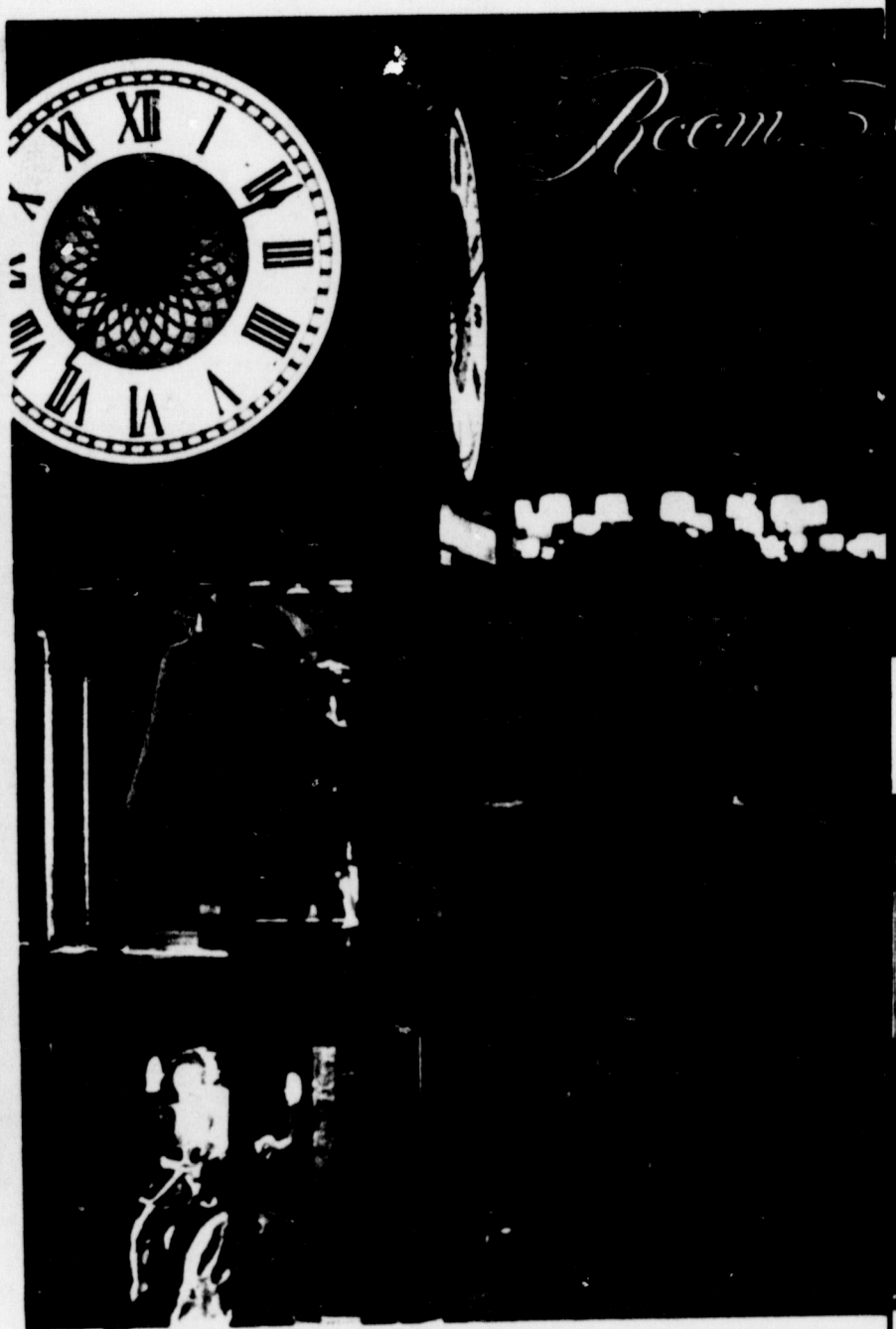
New York State University students at the Farmingdale, Long Island campus talk before breakfasting at the Crotty Brothers' food service facility there. Crotty also serves hospitals, plants and health-care facilities.

Savarin Sandwich Shoppes and restaurants serve hungry travelers at major airports, rail and bus terminals throughout the nation.

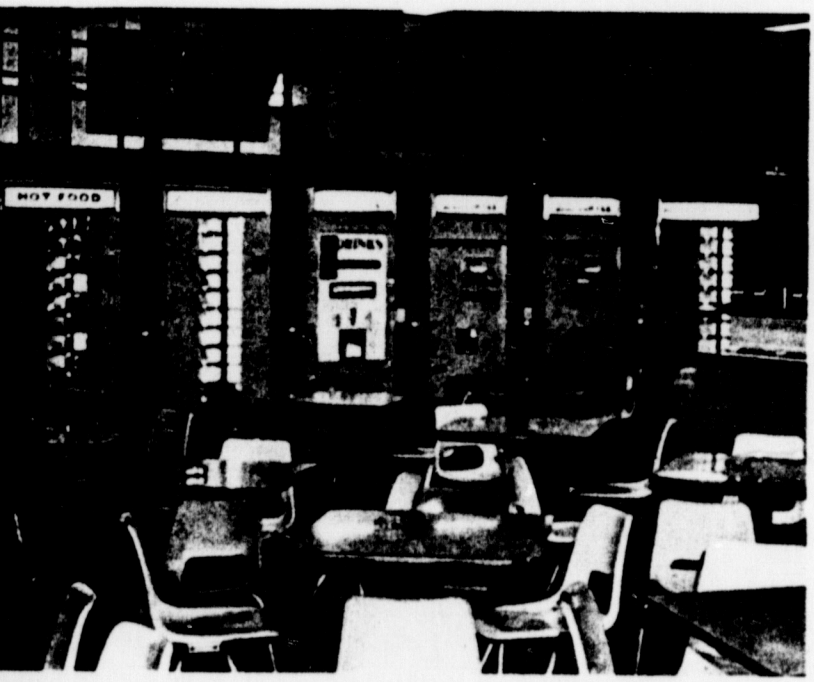
OIL...WATER...FISHING...A MEAL BY BOATEL PROMOTES HARMONY



Ancorp cafeterias, of which New York's Bake Oven (above) is typical, serve thousands of customers every day.



Diplomats and representatives from all nations rub elbows at the Inn of the Clock, United Nations Plaza at 48th Street, New York, N.Y.



Ancorp food and all other types of coin operated vending machines serve a wide range of customers in schools, colleges, hospitals, plants, stations, office buildings and department stores.

This busy cocktail lounge at Wold-Chamberlain Airport Minneapolis-St. Paul is one of many served by Ancorp food service facilities.

schools, colleges, hospitals, and health-care facilities.

An extension of industrial feeding services, and one that offers potential for growth in the future, is Boatel, Inc. This subsidiary provides feeding and ancillary services for industry in the Gulf of Mexico and remote areas. Its primary customers are oil companies engaged in offshore drilling and operations in the Gulf of Mexico and the Alaskan North Slope area. The Company's know-how acquired in serving the oil industry is successfully applied to industrial feeding services and in other activities—such as mining, logging, and highway or pipeline construction—involved in locations remote from adequate feeding facilities.

Exposition and Convention Facilities: Ancorp, with its broad range of food service capabilities, is uniquely qualified to undertake the extensive catering and concession operations of large, permanent exposition and convention centers.

Ancorp operates banquet facilities at the Rivergate Exhibition Center, near New Orleans' famed French Quarter, that can accommodate up to 15,000 people for luncheons and dinners. The Rivergate cafeteria and cocktail lounge are also operated by Ancorp.

In addition to Rivergate, Ancorp is the exclusive caterer at the permanent California Exposition in Sacramento, New Orleans' Municipal Auditorium, and Jekyl Island, Georgia; and the Company runs other concessions in state parks, ball parks, and on major thruways and turnpikes.

Vending Machines: Almost all of Ancorp's food service activities include some utilization of vending machines. The ANCO Division is a supplier of vending services to business and industry.

ANCO's services are extremely flexible, enabling the Division to tailor its installations—ranging from single units to mechanized cafeterias—precisely to the needs of its customers.

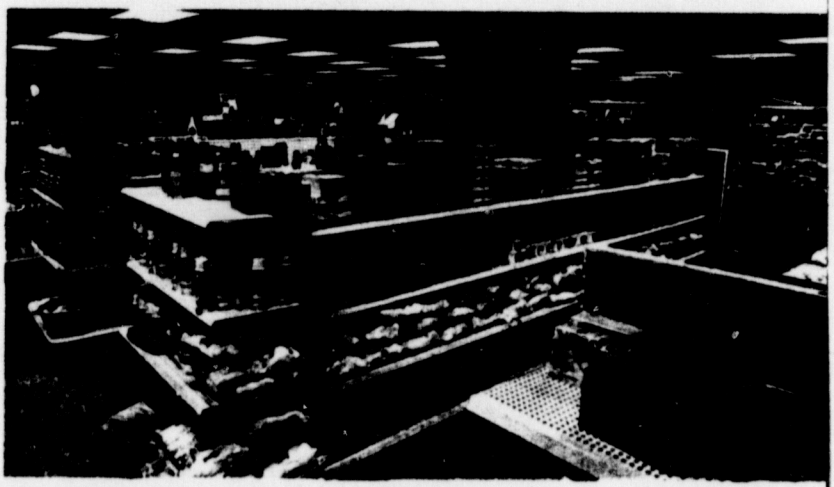
Chain Vending, another Ancorp unit, supplements these operations by providing cigarette and soft-drink vending services in retail stores, such as W. T. Grant outlets. Further expansion of vending machine operations may be expected, in the light of the industry's growth and ANCO's demonstrated capabilities. As more sophisticated equipment, vending a wider variety of products is introduced into more locations, vending volume should continue to increase.

RETAIL SERVICES

Ancorp's retail services have expanded greatly over the years, from its original on-train sales of newspapers, magazines and candy.

Today, the Company has hundreds of retail outlets from coast to coast, including news stands, gift and novelty shops, drug stores, tobacco shops, and full-scale "Merchandise Marts" offering a wide range of consumer products. These are located in high-traffic areas in hotels, office buildings, mass-transit facilities and major transportation terminals.

The operational accent has lately been on modernizing and increasing the profitability of existing retail units, plus the placement of additional outlets in mass-transit and major transportation terminals, office complexes and other locations offering exceptional exposure and potential for long-term growth.



Retail outlets operated by Ancorp include news stands, tobacco, novelty, gift and drug stores from coast to coast.

WHOLESALE SERVICES

The Wholesale and Distribution group encompasses some of Ancorp's earliest services: book distribution, which was started back in 1864 with 20 Webster dictionaries, and stationery, which began two years later. Divisions in this group include the following: Book and Stationery; Canadian Book Wholesale; American Match; Advertising Specialties; Clinton Square; Nemrow and Hopson Marketing. The operations of these divisions are discussed below.

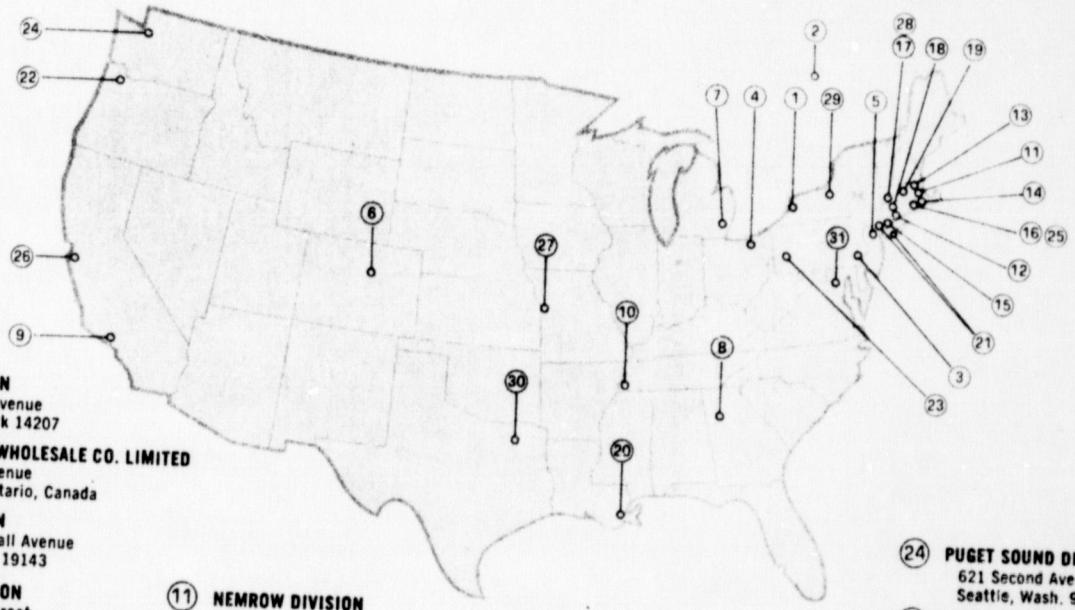
Distribution centers are strategically located from coast to coast, geographically situated to provide overnight delivery to virtually every major American market. By consolidating sales efforts for compatible lines—such as advertising specialties and American Match Company products—significant economies and increasing sales have been effected.

Ancorp's marketing and distribution network enables it to offer superior service to customers and suppliers alike. The wholesale branches handle books, stationery, school supplies, office furniture and equipment, cigarettes, tobacco products, candy, gifts and novelties, specialty and resale matches, advertising specialties and background music systems. Library and subscription services are also provided.

The majority of Ancorp's wholesale book volume goes to education-oriented markets. Libraries and Government-sponsored programs in the United States and overseas constitute other important markets. The book department is capable of supplying single volumes or complete "instant libraries" to institutions of all sizes, serving all age levels, and can deliver the books jacketed, precatalogued and classified. It provides a single source and billing service for books by all publishers. Book

Ancorp National Services, Inc. Wholesale Distribution Centers

Red Numerals Indicate Nemrow Division
Black Numerals Indicate Ancorp Division



(1) **BUFFALO DIVISION**
1635 Elmwood Avenue
Buffalo, New York 14207

(2) **CANADIAN BOOK WHOLESALE CO. LIMITED**
1600 Midland Avenue
Scarborough—Ontario, Canada

(3) **CENTRAL DIVISION**
52nd St. & Paschall Avenue
Philadelphia, Pa. 19143

(4) **CLEVELAND DIVISION**
3000 West 117 Street
Cleveland, Ohio 44111

(5) **CLINTON SQUARE DIVISION**
500 South Clinton Street
East Orange, N.J. 07018

(6) **COLORADO DIVISION**
625 W. 12th Avenue
Denver, Colo. 80204

(7) **DETROIT DIVISION**
2295 E. Lincoln Avenue
Birmingham, Mich. 48008

(8) **GEORGIA DIVISION**
659 Ethel Street, N.W.
Atlanta, Ga. 30318

(9) **LOS ANGELES DIVISION**
2071 Saturn Avenue
Huntington Park, Calif. 90255

(10) **MEMPHIS DIVISION**
141 Neil Street
Memphis, Tenn. 38112

(11) **NEMROW DIVISION**
20 Webster Place
Brookline, Mass.

(12) **NEMROW DIVISION**
150 Washington Street
Hartford, Conn. 06106

(13) **NEMROW DIVISION**
204 Broadway
Lawrence, Mass. 01840

(14) **NEMROW DIVISION**
125 Union Street
New Bedford, Mass. 02740

(15) **NEMROW DIVISION**
15 Orange Street
New Haven, Conn. 06505

(16) **NEMROW DIVISION**
210 W. Exchange Street
Providence, R. I. 02903

(17) **NEMROW DIVISION**
45 Lyman Street
Springfield, Mass. 01103

(18) **NEMROW DIVISION**
229 W. Main Street
Waterbury, Conn. 06702

(19) **NEMROW DIVISION**
256 Park Avenue
Worcester, Mass. 01609

(20) **NEW ORLEANS DIVISION**
1111 S. Peters Street
New Orleans, La. 70113

(21) **NEW YORK, BOHEMIA DIVISION**
1150 Walnut Ave., Bohemia, N.Y. 11716
131 Varick St., New York, N.Y. 10013

(22) **OREGON DIVISION**
1100 N.W. Glisan Street
Portland, Ore. 97209

(23) **PITTSBURGH DIVISION**
400 Cubbage Street
Carnegie, Penna. 15106

(24) **PUGET SOUND DIVISION**
621 Second Avenue, North
Seattle, Wash. 98109

(25) **RHODE ISLAND DIVISION**
55 Hope Street
Providence, R.I. 02906

(26) **SAN FRANCISCO DIVISION**
Sales Office: 212 Miller Avenue
South San Francisco, Calif. 94080

(27) **SOUTH-WEST DIVISION**
2501 West Pennway
Kansas City, Mo. 64108

(28) **SPRINGFIELD DIVISION**
101 Taylor Street
Springfield, Mass. 01101

(29) **SYRACUSE DIVISION**
310 West Taylor Street
Syracuse, N.Y. 13202

(30) **TEXAS DIVISION**
2905 Taylor Street
Dallas, Texas 75226

(31) **WASHINGTON-BALTIMORE DIVISION**
3501 52nd Avenue
Hyattsville, Maryland 20781

sales are expected to grow steadily in the coming decade.

The Canadian Book Wholesale subsidiary provides similar services to schools and libraries throughout Canada.

American Match Company's new plant in Reno, Nevada, is now fully operational, making possible substantial reductions in delivery time and freight costs to Western markets. The original plant at Zanesville, Ohio, continues to operate at capacity, servicing Eastern customers. The demand for custom designed matches and advertising specialties continues to increase, as businesses of all types implement a growing variety of promotional tools to stimulate sales. Specialty items cover a full range of products for home and office use, designed to have strong utilitarian and aesthetic appeal. These are used as premiums, sales incentives, employee awards, self liquidators and holiday gifts.

The New Jersey based Clinton Square Division participates in the expanding market for corporate sales incentive and customer premium programs. Its catalogue of quality, brandname items is used by corporations, marketing organizations and retail outlets coast to coast.

Since its acquisition in 1967, the Nemrow Division has consolidated its sales and warehousing operations, and has added a number of products—some of which are handled by other Ancorp divisions—to broaden its sales base. Additions include gift and novelty items.

Unique background music systems for office buildings, restaurants, department stores and other public facilities are provided by Hopson Marketing. The music source is located right on the user s premises, permitting selective use of music to meet specific requirements, and the interspersion of taped or live announcements for in-store promotions. The system's point-of-sale promotion feature offers a strong growth potential. Our system is in operation in over 173 W. T. Grant stores in addition to some 927 other outlets and continues to expand.

Ancorp National Services, Inc.
Consolidated Balance Sheet
AT DECEMBER 31, 1971 AND JANUARY 1, 1971

	December 31, 1971	January 1, 1971
Assets		
Current Assets:		
Cash	$ 5,821,100	$ 5,404,692
Receivables, less allowances of $210,000 and $200,000	14,451,250	15,524,411
Merchandise inventories, at lower of cost (first-in, first-out and retail methods) or market	19,880,818	18,931,515
Prepaid expenses	1,785,680	1,643,651
Total current assets	41,938,848	41,504,269
Fixed assets, at cost:		
Land	1,123,211	1,123,211
Buildings	5,000,579	4,905,884
Fixtures, equipment and leasehold improvements	40,709,385	40,071,095
	46,833,175	46,100,190
Less accumulated depreciation and amortization	17,238,815	15,880,869
	29,594,360	30,219,321
Deferred charges and other assets	3,737,507	4,298,109
Excess of investment cost over net assets of acquired businesses	2,080,621	2,090,871
	$77,351,336	$78,112,570

See accompanying notes to consolidated financial statements.

	December 31, 1971	January 1, 1971
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$23,404,698	$22,796,758
Notes payable	6,554,521	5,116,668
Federal income tax	8,000	175,000
Current portion of long-term debt	2,389,000	1,389,000
Total current liabilities	32,356,219	29,477,426
Long-term debt, noncurrent portion	11,502,000	13,666,000
Deferred federal income tax	1,939,737	2,310,677
Shareholders' Equity		
Preferred stock, no par value, authorized 1,000,000 shares; issued—none	—	—
Common stock, no par value, authorized 3,500,000 shares; issued 1,828,303 shares in 1971 and 1970	14,576,077	14,762,824
Retained earnings	23,603,260	24,936,075
	38,179,337	39,698,899
Less common stock in treasury, at cost: 375,976 in 1971, 404,344 in 1970	6,625,957	7,040,432
	31,553,380	32,658,467
	$77,351,336	$78,112,570

Ancorp National Services, Inc.

Consolidated Statement of Earnings and Retained Earnings

YEARS ENDED DECEMBER 31, 1971 AND JANUARY 1, 1971

	Years Ended	
	December 31, 1971	January 1, 1971
Net Sales and Other Revenues	$146,516,580	$160,145,971
Cost and expenses:		
Cost of sales	80,408,354	89,843,244
Selling, general and administrative expenses	61,879,035	64,967,565
Depreciation and amortization	3,174,806	3,019,337
	145,462,195	157,830,146
Income before interest expense	1,054,385	2,315,825
Interest expense	1,302,879	1,308,178
Earnings (loss) before provision for federal income tax and extraordinary items	(248,494)	1,007,647
Provision for federal income tax:		
Current	77,000	(135,000)
Deferred	(341,000)	287,000
	(264,000)	152,000
Earnings before extraordinary items (per share: $.01 in 1971; $.55 in 1970)	15,506	855,647
Extraordinary items, net of applicable federal income tax (per share: $.04 in 1971; $.27 in 1970)	68,000	420,200
Net earnings (per share: $.05 in 1971; $.82 in 1970)	83,506	1,275,847
Retained earnings, beginning of year	24,936,075	25,151,781
	25,019,581	26,427,628
Less dividends:		
Cash, $.60 per share ($.98 in 1970)	868,909	1,491,553
2% stock dividend at quoted market	547,412	—
Retained earnings, end of year	$ 23,603,260	$ 24,936,075

See accompanying notes to consolidated financial statements.

A. corp National Services, Inc.

Consolidated Statement of Changes in Financial Position

YEARS ENDED DECEMBER 31, 1971 AND JANUARY 1, 1971

	Years Ended	
	December 31, 1971	January 1, 1971
Sources of Working Capital:		
Operations:		
Earnings before extraordinary items	$ 15,506	$ 855,647
Add charges not requiring use of working capital:		
Depreciation and amortization	3,174,806	3,019,337
Increase (decrease) in deferred federal income tax	(370,940)	1,197,761
Total	2,819,372	5,072,745
Other Sources:		
Extraordinary items—net	68,000	420,200
Net current assets of business acquired for common stock	—	132,131
Increase in long-term debt	225,000	7,711,000
Other—net	528,871	—
Total sources of working capital	3,641,243	13,336,076
Uses of Working Capital:		
Cash dividends paid	868,909	1,491,553
Net additions to fixed assets	2,507,864	5,000,647
Acquisition of treasury stock	319,684	3,085,275
Decrease in long-term debt	2,389,000	—
Other—net	—	921,137
Total uses of working capital	6,085,457	10,498,612
Increase (decrease) in working capital	$ (2,444,214)	$ 2,837,464
Analysis of changes in working capital:		
Cash	$ 416,408	$ (593,904)
Receivables	(1,073,161)	(1,420,909)
Merchandise inventories	949,303	446,300
Prepaid expenses	142,029	522,576
Accounts payable and accrued liabilities	(607,940)	202,020
Notes payable	(1,437,853)	3,927,233
Federal income tax	167,000	154,148
Current portion of long-term debt	(1,000,000)	(400,000)
Increase (decrease) in working capital	$ (2,444,214)	$ 2,837,464

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and all subsidiaries.

Substantially all of the excess of investment cost over amounts allocated to specific net assets of businesses acquired, all of which arose prior to 1970, is not being amortized because, in the opinion of management, there has been no decrease in value.

Common Stock and Stock Options
During the year, the Company declared a 2% stock dividend which was satisfied by the issuance of 28,437 shares of treasury stock. The excess of the fair market value of such shares issued over their cost ($54,883) was credited to common stock. In addition, the Company issued 13,831 shares of treasury stock at a cost of $241,630 as additional consideration for businesses acquired in prior years resulting in a charge to common stock and acquired 13,900 treasury shares at a cost of $319,684.

The following options were outstanding at December 31, 1971 and January 1, 1971, under the Company's Employee Stock Option Plan:

Granted	Shares	Per Share
January 30, 1968	8,250	$32.13
January 14, 1969	5,950	50.25
January 15, 1970	35,800	20.00

All options were granted at the market value on date of grant, become exercisable after eighteen months and expire five years from date of grant. No options were exercised during the years ended December 31, 1971 and January 1, 1971.

Earnings Per Share
Per share earnings are based upon the weighted average number of common shares outstanding during each year, adjusted for the 2% stock dividend in 1971. No dilution in per share amounts would result if it were assumed that outstanding stock options were exercised.

Income Taxes
The provision (credit) for income taxes reflects taxes on foreign income of $77,000, less: (a) future tax benefits related to timing differences in computing income (loss) for financial statement and tax purposes of $217,000; and (b) an investment credit of $124,000 ($247,000 in 1970).

Deferred federal income tax arises primarily from the use of accelerated methods of depreciation for tax purposes whereas the straight line method is used for financial reporting. The Company and its subsidiaries plan to file a consolidated tax return.

Pension Plans
The Company has a contributory trusteed pension plan available to all employees not otherwise covered. In 1970 the Company obtained an actuarial valuation of a previous plan which indicated that it was substantially over-funded and accordingly included $452,000 in income and $958,000, less federal income tax of $459,800 as an extraordinary credit. During 1971 the Company agreed with the custodian of the fund of the previous plan to change the method of funding benefits from a participating (dividends received annually) to a non-participating basis and accordingly received a refund in excess of the over-funding calculated in 1970. The additional amount of $571,000 (after offsetting current service cost) less federal income tax of $274,000 has been included as an extraordinary credit.

There is no past service liability under either the existing or previous plans. The current service costs of the Company's plan were $145,000 for 1971 and $140,000 for 1970.

Rental Commitments
A substantial portion of the Company's business is conducted under lease and concession agreements. Total rent expense, including amounts calculated on percentage of sales, approximated $9,500,000 in 1971 and 1970. This includes approximately $4,200,000 in 1971 ($4,500,000 in 1970) applicable to long-term agreements, the average remaining life of which is seven years.

Extraordinary Items
In addition to the item discussed under the note on "Pension Plans" extraordinary items include a charge of $440,000 less federal income tax benefit of $211,000 ($150,000 and $72,000 respectively in 1970) relating to the settlement of legal actions.

Long Term Debt
Long Term Debt consists of the following:

	December 31, 1971	January 1, 1971
5⅞% notes payable in annual installments of approximately $389,000 through December 1983	$ 4,277,000	$ 4,666,000
Loans payable bearing interest at ½% in excess of the prime rate and payable in quarterly installments of $500,000 through April 1976	7,000,000	9,000,000
Other interest bearing obligations payable in two installments of $112,500 in 1973 and 1974	225,000	—
Total	$11,502,000	$13,666,000

The underlying agreements, as amended, covering the 5⅞% notes and the loans payable contain certain restrictions on the payment of cash dividends and the maintenance of minimum working capital. At December 31, 1971, there was approximately $208,913 of retained earnings available for payment of cash dividends. Working capital is required to be maintained at $9,500,000 until July 1, 1972 and $16,500,000 thereafter.

Report of Certified Public Accountants

The Shareholders and Board of Directors
Ancorp National Services, Inc.

We have examined the consolidated balance sheets of Ancorp National Services, Inc. and subsidiaries as of December 31, 1971 and January 1, 1971 and the related statements of earnings and retained earnings and changes in financial position for the respective years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of Ancorp National Services, Inc. and subsidiaries at December 31, 1971 and January 1, 1971 and the results of their operations and changes in financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, N.Y.
March 31, 1972

Peat, Marwick, Mitchell & Co.

Corporate Directory

DIRECTORS

Henry Garfinkle
Chairman of the Board and Chief Executive Officer of the Corporation

Oscar A. Doob
Public Relations Consultant

Andrew J. Crotty, Jr. (deceased February 1972)
Chairman of the Board of Crotty Brothers, Inc., a wholly owned subsidiary

William A. McCollough
President of the Corporation

Harry Marley
Attorney and Business Executive

Michael J. Kilfeather
Retired, Former Vice President and Treasurer of the Corporation

William A. Golden
President of Crotty Brothers, Inc., a wholly owned subsidiary

J. Barry Morrissey
Partner in law firm of Hale and Dorr General Counsel of the Corporation

J. Raymond Bell
Vice President Columbia Pictures Industries, Inc.

CORPORATE OFFICERS

Henry Garfinkle
Chairman of the Board and Chief Executive Officer

William A. McCollough
President

Alfred D'Ambrosio
Vice President

John P. Scully
Vice President

Joseph P. Kiernan
Vice President

Stanley M. Simon
Vice President, Finance

Joseph J. Moran
Secretary

Mildred L. Morrison
Treasurer

Martin Ahl
Controller

Jerome Goodman
Controller

DIVISIONAL OFFICERS

Joseph M. Christie
Vice President—Books

Lawrence F. Murphy
Assistant Vice President—Books

Chester W. Crater
Vice President—Ancorp Branch Operations

Ralph Florea
Vice President—Advertising Specialties

Saul Myron
Assistant Vice President Advertising Specialties

Abraham H. Fogel
Vice President—Nemrow Division

William G. Gillman
Vice President—Retail and Food Operations

Joseph R. Melis
Assistant Vice President— Retail and Food Operations

John A. Hopson
Vice President—Hopson Marketing Division

John Lacerra
Vice President—Stationery

Arthur Feuer
Assistant Vice President— Retail and Food Purchasing

Lawrence D'Amato
Assistant Vice President— Vending Operations

George Hanna
Assistant Vice President—Construction

Melvin S. Karpoff
Assistant Vice President— Food Service Operations

SUBSIDIARIES' OFFICERS

American Match Company

Robert C. Dennis
President

Paul J. Kunkel
Vice President

Kenneth Brill
Assistant Vice President

Boatel, Inc.

John P. Kuchta
President

Patricia L. Crowley
Vice President

Louis Hebert
Executive Vice President—Boatel Alaska, Inc.

Crotty Brothers, Inc.

William A. Golden
President

James J. Doherty
Vice President and Treasurer

Florence Weisslinger
Controller

General Counsel of the Corporation

J. BARRY MORRISSEY
PARTNER, HALE AND DORR
28 STATE STREET, BOSTON, MASS. 02109

Transfer Agent

FIRST NATIONAL CITY BANK, 111 WALL STREET, NEW YORK, N.Y. 10015

Registrar

MANUFACTURERS HANOVER TRUST COMPANY, FOUR NEW YORK PLAZA, NEW YORK, N.Y.
THE COMMON STOCK OF THE COMPANY HAS BEEN LISTED ON THE NEW YORK STOCK EXCHANGE SINCE 1930

Executive Offices

131 VARICK STREET, NEW YORK, N.Y. 10013

SUBSIDIARIES & DIVISIONS:

ADVERTISING SPECIALTIES DIVISION
AMERICAN MATCH COMPANY
ANCO VENDING DIVISION
BOATEL, INC.
BOOK DIVISION
CHAIN VENDING
CLINTON SQUARE DIVISION
CROTTY BROTHERS, INC.
GLOBE FOOD SERVICE CORP.
HOPSON MARKETING DIVISION
NEMROW DIVISION
RETAIL OPERATIONS DIVISION
SAVARIN RESTAURANTS DIVISION
STATIONERY DIVISION

Ancorp National Services, Inc. 131 Varick Street, New York, N.Y. 10013

DEFENDANT'S AMENDED ANSWERS TO INTERROGATORIES 1037a

UNITED STATES DISTRICT COURT (Filed 17, 1972)
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,

Plaintiff,

-against-

ANCORP NATIONAL SERVICES, INC.,

Defendant.

70 Civ. 5770 HRT

AMENDED ANSWERS TO INTERROGATORIES

The defendant, for its amended answer to interrogatories propounded by the plaintiff (amended and superseding answers under date of March 2, 1972), states, on information and belief, (the paragraph numbers below refer to paragraph numbers of the plaintiff's interrogatories).

1. The defendant entered into certain arrangements with newspapers for price allowances by way of credits and payments.

2.A. The names of the newspapers (1959 through 1969) are:

New York Times ("Times")
New York Daily News ("Daily News")
New York Post ("Post")
Wall Street Journal
El Tiempo
Newark Star Ledger
New York Amsterdam News
New York Column
Harrisburgh Patriot

B. Certain of the amounts and credits are set forth on Exhibits 1 and 2 annexed hereto; details as to certain other sums credited or paid prior to or during the dates specified on Exhibits 1 and 2 are not now available and will be supplied at a later date.

The credits or payments were made by the Times, Post and Daily News to compensate for maintainance of prices in out-of-town locations and with consideration for the unique costs and status of the defendant including, among other things, hours of operation and other special costs connected with the unique requirements of defendant's operations, these being price allowances notwithstanding any other designations which at any time may have been attached thereto at the instance of the publications or otherwise.

The defendant issued requests to its suppliers as set forth in a letter dated October 24, 1962 (Exhibit 3) and instructions to executives dated March 8, 1963 (Exhibit 3(a)) and it was not feasible for the defendant to take further steps with respect thereto nor was the same necessary in view of the unique status of the defendant and its reliance on the direct or implied representations by the newspapers that the payments were legal and non-discriminatory in the circumstances.

3.A.and B. The prices paid by the defendant per copy, exclusive of the credits and payments referred to above, for daily and Sunday or weekend editions and the cover prices thereof are set forth on Exhibit 4 attached hereto (per 100 copies).

C. The defendant charged the cover price for such newspapers except that there may have been some isolated instances contrary to established policy of the defendant and subject to possible changes near the end of 1969 for out-of-town papers.

4. Annual sales by copies for the Times, Daily News and Post are set forth on Exhibit 4(a) hereto.

5. The effective dates of all wage increases paid by

the defendant to its newsstand employees during the period 1959 through 1969 are set forth on Exhibit 5 attached hereto.

6. The dates during which the defendant's newsstands were closed as a result of strikes are as follows:

(a) During the period from January 2, 1960 to January 14, 1960, the unions having jurisdiction over the newsstands enumerated in 5(a) and (b) of Exhibit 5 were on strike.

(b) During the period January through March 1963.

(c) During the period from January 20, 1969 to March 28, 1969, the unions having jurisdiction over the newsstands enumerated in 5(a) of Exhibit 5 were on strike.

Dated: New York, New York
April 13, 1972

/s/ EUGENE FREDERICK ROTH Esq.

EUGENE FREDERICK ROTH, ESQ.,
Attorney for Defendant
230 Park Avenue
New York, New York 10017
(212) 686-8030

TO: WHITNEY NORTH SEYMOUR, JR.,
United States Attorney for the
Southern District of New York
United States Court House
Foley Square
New York, New York

STATE OF NEW YORK)
ss.:
COUNTY OF NEW YORK)

VINCENT MINEO, being duly sworn, deposes and says;

That he is the Chief Clerk of the Bookkeeping Division of Ancorp National Services, Inc., the defendant in the above entitled action; that he has read the foregoing answers and knows the contents thereof; that the same is true to his own knowledge, except as to the matters therein stated to be alleged on information and belief, and that as to those matter he believes it to be true.

/s/ Vincent Mineo
Vincent Mineo

Sworn to before me this
14 day of April, 1972.

Daniel D. Wittenberg
Notary Public

DANIEL D. WITTENBERG
NOTARY PUBLIC, State of New York
No. 24-9716200
Qualified in Kings County
Certificate Filed in Kings County
Commission Expires March 30, 1974

EXHIBITS ANNEXED TO THE FOREGOING AMENDED ANSWERS

EXHIBIT 1 - ALLOWANCE PAYMENTS

(Printed Herein at p. 85a)

EXHIBIT 2 - ALLOWANCE PAYMENTS ON OTHER NEWSPAPERS

(Printed Herein at p. 86a)

EXHIBIT 3 - LETTER DATED OCTOBER 24, 1962

(Printed Herein at p. 87a)

EXHIBIT 3a · LETTER DATED MARCH 8, 1963 FROM AMERICAN NEWS CO.

(Printed Herein at p. 88a)

EXHIBIT 4 - COSTS AND RETAIL PRICES PER HUNDRED

(Printed Herein at p. 90a)

EXHIBIT 4a - SUMMARY OF COPIES PURCHASED

(Printed Herein at p. 91a)

EXHIBIT 5 - EFFECTIVE DATES OF WAGE INCREASES

(Printed Herein at p. 92a)

Copy

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,

Plaintiff,

-against-

ANCORP NATIONAL SERVICES, INC.,

Defendant.

#X-0073

70 Civ. 5770

FILED
U.S. DISTRICT COURT
NOV 30 12 50 PM '73
S.D. OF N.Y.

Appearances:

PAUL J. CURRAN,
United States Attorney for the
Southern District of New York
Attorney for Plaintiff
GERALD A. ROSENBERG
MICHI L. REICH
Of Counsel

DELSCH & GORDON
230 Park Avenue, New York, N. Y. 10017
Attorneys for Defendant
EUGENE FREDERICK ROTH
GEORGE HALPERN
Of Counsel

OPINION

BONSAL, D. J.

This is a suit by the United States to collect civil penalties in the amount of $535,000 from the defendant Ancorp National Services, Inc. ("Ancorp") for allegedly violating a final

Cease and Desist Order of the Federal Trade Commission ("FTC") issued on April 13, 1964 ("the FTC Order"). The United States also seeks a permanent injunction. Jurisdiction is alleged under 15 U.S.C. §§ 45(l) and 56, and 28 U.S.C. §§ 1337, 1345, and 1355.

On February 5, 1959, the Federal Trade Commission filed an administrative complaint, charging respondents American News Company (now Ancorp) and Union News Company (now a subdivision of Ancorp) with unfair competitive practices. The complaint charged the respondents with having violated section 5 of the Federal Trade Commission Act by inducing and coercing suppliers to make payments or to grant allowances as compensation for services or facilities furnished in connection with the sale of such suppliers' products on respondents' newsstands when respondents knew or should have known that such payments were not being offered or made available on proportionally equal terms to all customers of such suppliers who were in competition with the respondents. On January 10, 1961, after an administrative hearing, the FTC issued a Cease and Desist Order. On February 7, 1962, the Court of Appeals for the Second Circuit modified the FTC Order and affirmed it as modified. American News Co. v. FTC, 300 F.2d 104 (2d Cir. 1962). On October 8, 1962, the Supreme Court denied respondent's petition for a writ of certiorari. 371 U.S. 824 (1962). The FTC Order of April 13, 1964 became final on May 13, 1964, 15 U.S.C. §45(l), and

has been in effect at all times relevant to this action.

The FTC Order as modified provided:

> "IT IS ORDERED that the respondents, The American News Company and The Union News Company, corporations, their officers, employees, agents or representatives, directly or through any corporate or other device, in or in connection with the purchase in commerce, as 'commerce' is defined in the Federal Trade Commission Act, of products for resale on newsstands operated by respondents, do forthwith cease and desist from:
>
> Receiving, or inducing and receiving, or contracting for the receipt of, anything of value from any of their suppliers as compensation or in consideration for display or promotional services or facilities furnished by or through respondents in connection with the processing, handling, sale, or offering for sale of products purchased from any of their suppliers, when respondents know or should know that such compensation or consideration is not affirmatively offered or otherwise made available by such suppliers on proportionally equal terms to all their other customers competing with respondents in the sale and distribution of such suppliers' products."

1/

This action was instituted on December 31, 1970.

The complaint alleges that the defendant received "compensation" in varying amounts from three newspapers in New York City (The New York Times, The Daily News, and The Post) in connection with promoting and displaying these newspapers on its newsstands; that the defendant knew or should have known that such compensation was not offered or otherwise made available by the three newspapers on proportionally equal terms to all of their newsstand customers; and that by receiving such compensation, the

defendant violated the FTC Order quoted above. The complaint comprises three counts: count 1 relates to The New York Times; count 2, to The Daily News; and count 3, to The Post.

The complaint alleges that these payments began at "some time prior to December 1965" and continued to shortly before the filing of the complaint. Payments allegedly received prior to December 31, 1965, however, are barred by the five-year statute of limitations which applies to civil penalty actions. 28 U.S.C. §2462.

On the basis of the testimony of Mr. Ivan Veit, Executive Vice President, and Mr. Thomas McVeigh, Corporate Controller of the Times, and the exhibits received during the trial, the Court finds that each month from January, 1961 to July, 1969 the Union News Company billed the Times for "Rental of Space in Newsstands for New York Times Advertising Signs" and that the Times paid these bills. The payments from January, 1961 to August, 1963 were in the amount of $2,000 per month; they were increased in August, 1963 to $2,587.20 per month ($4.90 per stand for 523 stands).

On the basis of the testimony of Mr. William Carey, Circulation Manager, and Mr. Jack Underwood, Vice President and Director of Sales of The Daily News, and the exhibits received during the trial, the Court finds that each week from June 1, 1964

to March 3, 1969, except for periods--prior to 1966--when the Daily News was not published as a result of a strike, the Union News Company billed the Daily News for "Advertising Service" and that the Daily News paid these bills. The payments were in the amount of $500 per week.

On the basis of the testimony of Mr. Byron Greenberg, Circulation Director of the Post, and the exhibits received during the trial, the Court finds that from July, 1964 to June, 1969 the Union News Company billed the Post for "Advertising Service" and that the Post paid these bills. The payments were in the amount of $50 per month.

On the issue of the defendant's knowledge and intent, the Court received evidence as to payments made by other New York City newspapers to the Union News Company. On the basis of the deposition of Mr. Roy I. Newborn, who was Circulation Director of the now defunct New York Herald Tribune from 1961 to 1964, the Court finds that the Herald Tribune paid fees for advertising services on a monthly basis totalling $12,000 to $15,000 a year. That arrangement lasted until the Herald Tribune ceased publication on April 24, 1966. On the basis of the testimony of Mr. John Potulny, Manager of the field operations group of Dow Jones and Company (which publishes the Wall Street Journal), the Court finds that from the fall of 1965 to January, 1968, the Wall Street

Journal made payments to Union News as a "promotional allowance" in the amount of $500 per month.

On the basis of the testimony of Mr. Nathan Goldstein, Mr. Jack Underwood, Mr. William Carey, and Mr. Byron Greenberg, the Court finds that Union News never inquired of the Times, the Daily News, or the Post whether payments were being offered to other newsstand operators in competition with Union News on a proportionally equal basis. 2/ And the testimony at trial shows that the three newspapers did not in fact offer to make such payments to competitors.

Defendant contends on the basis of the testimony of Mr. William McCollough (President of Ancorp) that the payments received were not true advertising allowances, but rather price allowances, and that they were made as part of an effort to increase Ancorp's profits on the sale of newspapers. However, the invoices sent out to the three newspapers by Union News, which were received in evidence, themselves indicated that they were for advertising services. Moreover, Mr. McCollough acknowledged that the Union News Company received posters from the three newspapers to be displayed on its newsstands. 3/

The proof establishes and the Court finds that the following monthly payments were received by the Union News Company on or after January 1, 1966 in violation of the FTC Order:

from the New York Times (from January 1, 1966 to July 1, 1969)	42
from the Daily News (from January 1, 1966 to March 3, 1969) 4/	38
from the Post (from January 1, 1966 to July 1, 1969)	42
Total number of violations of the Order	122 5/

Penalties

The United States is seeking to recover the maximum penalty of $5,000 for each violation of the Order (15 U.S.C. §45(ℓ)).

In assessing the amount of penalties to be imposed for each violation, the relevant factors are: the wilfulness of the violations, the total amounts of the payments received by the defendant in violation of the FTC Order, the harm to the public from the violations, and the financial capacity of the defendant to pay whatever penalties are imposed. See United States v. J.B. Williams Co., 354 F.Supp. 521, 548 (S.D.N.Y. 1973); United States v. Beatrice Foods Co., 351 F.Supp. 969 (D. Minn. 1972); United States v. Vitasafe Corp., 234 F.Supp. 710 (S.D.N.Y. 1964), aff'd, 352 F.2d 62 (2d Cir. 1965); United States v. American Greetings Corp., 168 F.Supp. 45 (N.D. Ohio 1958), aff'd, 272 F.2d 945 (6th Cir. 1959).

The evidence at trial indicates that Mr. Henry Garfinkle, President of the Union News Company in 1963, sent a memorandum dated March 8, 1963 to the other officers and executives of Union News informing them of the FTC Order and instructing them to familiarize themselves with it and to report promptly any information that might indicate a potential violation. There was no evidence, however, of any other action taken by any officer of Union News to assure compliance with the FTC Order. The payments for advertising services, which the evidence indicates that Mr. Garfinkle helped to negotiate with the three newspapers, continued without change from 1961 to 1969, when they were unilaterally cancelled by the newspapers. There was no evidence that Union News ever attempted to inform any of the newspapers from which it was receiving payments of the terms of the FTC Order or to inquire whether proportionally equal terms were offered by them to competitors of Union News. Rather, the evidence indicates that, with the exception of Mr. Garfinkle's memorandum, Union News ignored the FTC Order.[6]

With respect to the total payments received, the evidence shows that during the period from January 1, 1966 to the termination of the arrangements with the three newspapers in 1969, Union News received payments in violation of the FTC Order totalling $108,652.40 from the Times, $82,000.00 from the Daily

News, and $2,100.00 from the Post; combined, these payments total $192,762.40. 7/

There is no evidence that the payments had any effect on the amount of Union newsstands' business nor on the price of newspapers sold to the public. The testimony indicates that Union newsstands sell newspapers within the City of New York at the cover price, as do their competitors. The competition that does exist among newsstands is primarily on the basis of their location and the number of items they carry. Since the evidence is speculative and inconclusive, the Court finds that harm to the public has not been demonstrated.

Ancorp is a conglomerate owning restaurants, snack bars, cafeterias, vending machines, catering facilities, drug stores, tobacco shops, and general merchandise marts as well as newsstands. It also engages in the wholesaling of books, matches, tobacco products, candy, stationery, art supplies, office furniture and equipment, and background music systems. For 1968, its net income was $2,784,054; for 1969, $2,305,026; for 1970, $1,275,847; and for 1971, $83,506. The unaudited Consolidated Statement of Operations and Retained Earnings for the year ending December 29, 1972 shows an operating loss for the year in the amount of $13,672,953. The unaudited Consolidated Balance Sheet shows current liabilities of $31,943,210 against current assets of $27,682,578 and an earned

deficit of -$4,576,648. On March 20, 1973, Chapter XI proceedings were instituted by Ancorp, seeking an arrangement with its creditors, which proceedings are presently pending in New York City.

On the basis of the factors discussed above, the Court imposes the following penalties on the defendant for the violations of the FTC Order found above:

on count 1:	$2,500 for each of 42 violations	$105,000.
on count 2:	$2,300 for each of 38 violations	93,000.
on count 3:	$100 for each of 42 violations	4,200.
Total penalties		$204,200.

The United States is entitled to a judgment against the defendant in the amount of $204,200, and costs. In addition, a permanent injunction will be issued enjoining defendant Ancorp from further violations of the FTC Order.

The foregoing constitutes the Court's findings of fact and conclusions of law. F.R.Civ.P. 52(a).

Settle judgment on notice.

Dated: New York, N. Y.
November , 1973.

DUDLEY B. BONSAL

U. S. D. J.

(Footnotes follow)

70-3809

JUDGMENT APPEALED FROM
(Filed December 18, 1973)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,

Plaintiff,

-v-

ANCORP NATIONAL SERVICES, INC.,

Defendant.

U.S. DISTRICT COURT
FILED 12-18-73
S.D. of NEW YORK

JUDGMENT #73,998

70 Civ. 5770 (DBB)

A trial having been had before the Honorable Dudley B. Bonsal, sitting without a jury, from July 9 through July 19, 1973, and an Opinion containing findings of fact and conclusions of law having been entered on November 30, 1973, in which the Court held that the plaintiff, United States of America, is entitled to a judgment against the defendant in the amount of $204,200 plus costs and is also entitled to a permanent injunction barring the defendant, Ancorp National Services, Inc., from further violations of the subject Federal Trade Commission Order, it is hereby

ADJUDGED that the plaintiff, United States of America, have judgment against the defendant, Ancorp National Services, Inc., in the principal amount of $204,200, plus costs in the amount of $1,430.66, for a total amount of $205,630.66, and it is further

ADJUDGED that the defendant, Ancorp National Services, Inc., and its officers, employees, agents or representatives, directly or through any corporate or other device, be and hereby are permanently enjoined from violating the Federal Trade Commission Order (Docket No. 7396), which named defendant's predecessors in interest, The American News Company and the Union News Company as respondents,

GAR:emw
70-3809

which became final on April 13, 1964 and which provides, in pertinent part, as follows:

> "IT IS ORDERED that the respondents, The American News Company and The Union News Company, corporations, their officers, employees, agents or representatives, directly or through any corporate or other device, in or in connection with the purchase in commerce, as 'commerce' is defined in the Federal Trade Commission Act, of products for resale on newsstands operated by respondents, do forthwith cease and desist from:
>
> Receiving, or inducing and receiving, or contracting for the receipt of, anything of value from any of their suppliers as compensation or in consideration for display or promotional services or facilities furnished by or through respondents in connection with the processing, handling, sale, or offering for sale of products purchased from any of their suppliers, when respondents know or should know that such compensation or consideration is not affirmatively offered or otherwise made available by such suppliers on proportionally equal terms to all their other customers competing with respondents in the sale and distribution of such suppliers' products."

Dated: New York, New York

December 17, 1973

DUDLEY B. BONSAL
United States District Judge

JUDGMENT ENTERED: Dec 19, 1973

RAYMOND F. BURGHARDT

CLERK

GAR:emw
70-3809

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,

Plaintiff,

-v-

ANCORP NATIONAL SERVICES, INC.,

Defendant.

AFFIDAVIT

70 Civ. 5770 (DBB)

STATE OF NEW YORK)
COUNTY OF NEW YORK : ss.:
SOUTHERN DISTRICT OF NEW YORK)

GERALD A. ROSENBERG, being duly sworn, deposes and says:

1. I am an Assistant United States Attorney in the office of Paul J. Curran, United States Attorney for the Southern District of New York, attorney for the plaintiff, United States of America, and as such I am familiar with and in charge of the prosecution of this action. I make this affidavit on the basis of personal knowledge and on accounting records maintained by the Government. It is submitted in support of the Bill of Costs to which it is attached, pursuant to 28 U.S.C. §1924.

2. In the course of preparing for the trial of this action, it became necessary for the plaintiff to take the depositions of six non-party witnesses, on the dates and at the costs indicated below:

GAK:emw
70-3809

Henry Garfinkle	August 5, 1971	$147.40
William A. McCullough	August 17, 1971	136.40
Morris Strassman	June 23, 1972	151.50
Herbert Frilen	September 12, 1972	111.50
Vincent Mineo	December 6, 1972	110.00
Roy Newborn	June 7, 1973	296.75

Each of these witnesses was listed by the defendant as a prospective witness at trial in the Pre-Trial Order; the defendant actually called Messrs. McCullough and Mineo to testify at trial; and the transcripts of Messrs. Frilen and Newborn were submitted to the Court as exhibits.

3. All other costs taxed on the Bill of Costs, to which this affidavit is attached, are accurate and speak for themselves.

WHEREFORE, your deponent respectfully prays that the costs listed in the attached Bill of Costs be taxed against the defendant.

Gerald A. Rosenberg

GERALD A. ROSENBERG
Assistant United States Attorney

Sworn to before me this

// day of December, 1973.

WALTER G. BRANNON
Notary Public, State of New York
Qualified in Kings County
Cert. filed in New York County
Term Expires March 30, 1975

NOTICE OF APPEAL
(Filed January 16, 1974)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----------x

UNITED STATES OF AMERICA :

-against- : Index No. 70 Civ. 5770

ANCORP NATIONAL SERVICES, INC., : NOTICE OF APPEAL

Defendant. : DBB

----------x

PLEASE TAKE NOTICE, that the above named defendant hereby appeals to the United States Court of Appeals for the Second Circuit from the judgment of the United States District Court for the Southern District of New York in this action, entered in the office of the Clerk of said Court on the 18th day of December, 1973, and from each and every part thereof.

Dated: New York, New York
January 14, 1974

Yours etc.,

By: Roy M. Cohn

SAXE, BACON, BOLAN & MANLEY
Attorneys for Defendant-
Appellant
39 East 68 Street
New York, New York 10021
(212) 472-1400

TO:

Paul J. Curran, Esq.
Assistant United States Attorney
for the Southern District
Attorney for Plaintiff-Respondent

Ancorp National Services, Inc.
131 Varick Street
New York, New York

A 202 Affidavit of Personal Service of Papers H LUTZ APPELLATE PRINTERS INC.

U.S. COURT OF APPEALS:SECOND CIRCUIT"

U.S.A., Appellee, against ANCORP NATIONAL SERVICES, INC., Appellant.	Index No. Affidavit of Personal Service

STATE OF NEW YORK, COUNTY OF NEW YORK ss.:

I, James Steele, being duly sworn,

deposes and says that deponent is not a party to the action, is over 18 years of age and resides at

250 West 146th Street, New York, New York

That on the 14th day of August 1974 at Foley Square, New York

deponent served the annexed Appellant's Appendix upon

Paul J. Curran-U.S. Attny, for the Southern Dist.-Attorney for Appellee

the in this action by delivering a true copy thereof to said individual personally. Deponent knew the person so served to be the person mentioned and described in said papers as the Attorney(s) herein,

James Steele

Print name beneath signature

JAMES STEELE

Sworn to before me, this 14th day of August 1974

Robert T. Brin

ROBERT T. BRIN
NOTARY PUBLIC, STATE OF NEW YORK
NO. 31 - 0418950
QUALIFIED IN NEW YORK COUNTY
COMMISSION EXPIRES MARCH 30, 1975